SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT

SAN JOSÉ, CALIFORNIA

AUDIT REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

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COSSOLIAS | WILSON
DOMINGUEZ | LEAVITT
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
San José/Evergreen Community College District
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of San José/Evergreen Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise San José/Evergreen Community College 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.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of San José/Evergreen Community College District, as of June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District implemented the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post-Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 11 and the Schedule of Changes in Net OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 54 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide anyassurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San José/Evergreen 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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The schedule of expenditure of federal awards and other supplementary information as 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. The Schedule of Expenditure of Federal Awards and other supplementary information as listed in the table of contents, except for the Organization, and Combining Fund Balance Sheet have 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 Schedule of Expenditure of Federal Awards and other supplementary information as listed in the table of contents, except for the Organization, and Combining Fund Balance Sheet are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Organization and Combining Fund Balance Sheet have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2018 on our consideration of San José/Evergreen 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 José/Evergreen Community College District's internal control over financial reporting and compliance.

CWDL, Certified Public Accountants

San Diego, California
October 23, 2018

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MANAGEMENT’S DISCUSSION AND ANALYSIS

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* which established new reporting formats for annual statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applied the new reporting models to public colleges and universities. In its "Accounting Advisory No. 2001-01," the State Chancellor's Office opined that the California Community Colleges would best benefit from, and would "therefore implement," the business-type activities (BTA) reporting model, as outlined in GASB Statements No. 34 and No. 35.

Responsibility for the completeness and accuracy of this information rests with the District management.

The reporting model is in some cases an extreme departure from that used prior to GASB Statements No. 34 and No. 35 implementation and, in some cases, has limited value or may even be detrimental to casual readers attempting to understand the financial health of a governmental entity. Because of this, the District has asked its auditors to also present the District's unaudited financial statements using the funds statements format, which continues as the format that the District uses in reporting to the State Chancellor's Office.

As required by generally accepted accounting principles, the annual report consists of three basic financial statements that provide information on the District as a whole: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements are designed to emulate corporate presentation models; whereby, all District activities are consolidated into one total. The focus of the Statement of Net Position is designed to be similar to "bottom line" results of the District. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Changes in Net Position focus on both the gross and the net cost of District activities, which are supported mainly by local property taxes and student fees. This approach is intended to summarize and simplify the analysis of the cost of various District services to students and the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District.

The following analysis provides an overview of the District's financial activities. The analysis includes a comparison of current to prior year activity.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting method used by most private-sector institutions. Net position, the difference between assets and liabilities, is one way to measure the financial health of the District.

	2018	2017	Change	2016	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Total assets	$ 730,232,108	$ 662,529,462	$ 67,702,646	$ 683,014,346	$ (20,484,884)
Deferred outflows of resources	49,383,728	34,143,901	15,239,827	25,024,121	9,119,780
Total Assets and Deferred Outflows of Resources	779,615,836	696,673,363	82,942,473	708,038,467	(11,365,104)
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities	91,759,650	62,732,028	29,027,622	56,114,723	6,617,305
Non-current liabilities	689,914,534	622,882,421	67,032,113	637,585,772	(14,703,351)
Deferred inflows of resources	23,628,041	23,205,956	422,085	16,761,316	6,444,640
Total Liabilities and Deferred Inflows of Resources	805,302,225	708,820,405	96,481,820	710,461,811	(1,641,406)
NET POSITION					
Invested in capital assets, net of related debt	39,225,474	45,343,335	(6,117,861)	55,919,882	(10,576,547)
Restricted	66,026,291	37,013,620	29,012,671	35,405,152	1,608,468
Unrestricted	(130,938,154)	(94,503,997)	(36,434,157)	(93,748,378)	(755,619)
Total Net Position	$ (25,686,389)	$ (12,147,042)	$ (13,539,347)	$ (2,423,344)	$ (9,723,698)

June 30, 2018 Compared to June 30, 2017

Cash and cash equivalents, inclusive of current and non-current assets, are invested primarily in the Santa Clara County investment pool. The increase in cash balances from the prior year is primarily a result of the issuance of the first two issues of the Measure X - 2016 bond authorization.

Receivables primarily represent funding owed to the District by students and by the Federal, State, and Local Governments for non-capital apportionment and grants. The total owed to the District by all sources is $11.3 million.

Capital assets represent the District's original investment in land, site improvements, buildings, building improvements, construction in progress, and equipment, less the cost of accumulated depreciation. Capital assets increased by approximately a net value of $4.5 million from the previous year.

Accounts payable and other liabilities represent amounts owed for services and goods received by the District, during Fiscal Year 2017-18, for which payment would not be made until Fiscal Year 2018-19. The accounts payable amount primarily represents amounts due to vendors and amounts owed to employees for services rendered. The District's accounts payable at June 30, 2018 was $2.9 million more than at June 30, 2017.

Unearned revenues represent prepayments made to the District for which services have yet to be rendered. Approximately $4 million of this amount represents cash received from the District's SVETP Grant, $2.8 million from Strong Workforce, $1.8 million from the Adult Education Block and CA College Promise Innovation Grants, and $1.7 million from the Innovation Higher Education Grant, and $4.2 million from other miscellaneous grants and categorical programs including SSSP, Student Equity Lottery, etc. The remaining balance of $5 million relates to student tuition and registration fees received during Fiscal Year 2017-18 for the summer and fall terms of Fiscal Year 2018-19.

The District's long-term liabilities consist of the accumulated liability for compensated absences of approximately $3.1 million; $95 million for OPEB taxable bonds, $117 million in net pension liability as a result of GASB 68, and $474 million for voter-approved general obligation bonds which are secured by ad valorem taxes.

One component of the District's "Net Position" is the net investment in capital assets of approximately $39.25 million. These funds are not liquid resources that can be used to fund ongoing operations. The largest component is the unrestricted net position of $(130) million which reflects the impact for the implementation of GASB Statement No. 68 (pensions) and creates a negative net position.

June 30, 2017 Compared to June 30, 2016

Cash and cash equivalents, inclusive of current and non-current assets, are invested primarily in the Santa Clara County investment pool. The decrease in the cash balances from the prior year is primarily a result of continued construction and renovation related to Measure G – 2004 and Measure G - 2010. Measure G – 2004 was closed out during 2016-17.

Receivables primarily represent funding owed to the District by students and by the Federal Government, the State Government, and Local Governments for non-capital apportionment and grants. The total owed to the District by all sources is approximately $9.8 million.

Capital assets represent the District's original investment in land, site improvements, buildings, building improvements, construction in progress, and equipment, less the cost of accumulated depreciation. Capital assets increased by approximately a net value of $14.7 million from the previous fiscal year.

Accounts payable and other liabilities represent amounts owed for services and goods received by the District, during Fiscal Year 2016-17, for which payment would not be made until Fiscal Year 2017-18. The accounts payable amount primarily represents amounts due to vendors and amounts owed to employees for services rendered. The District's accounts payable and other liabilities at June 30, 2017 was $3.2 million more than at June 30, 2016.

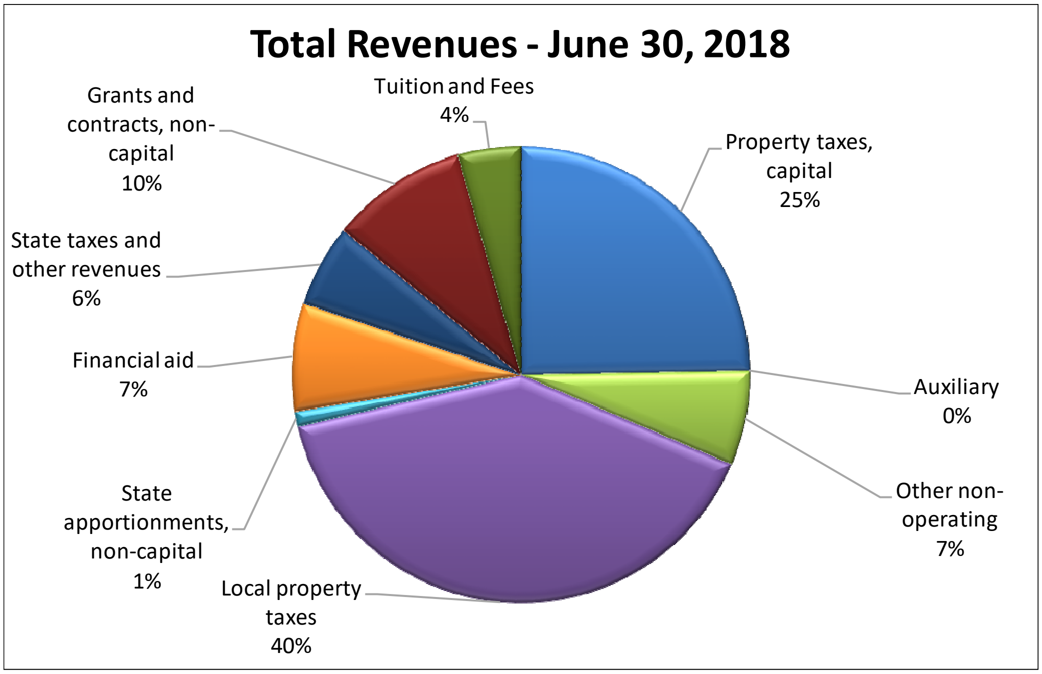
Unearned revenues represent prepayments made to the District for which services have yet to be rendered. Approximately $14.6 million of this amount represents cash received from the District's SVETP Grant during 2016-17. The remaining balance relates to student tuition and registration fees, received during Fiscal Year 2016-17, for the summer and fall terms of Fiscal Year 2017-18.

The District's long-term liabilities consist of the accumulated liability for compensated absence of approximately $2.6 million: $501.7 million in voter-approved general obligation bonds; $47.5 million in OPEB taxable bonds; and $92.5 million in net pension liability as a result of GASB 68. The general obligation bonds are being repaid through tax assessments on property located within the District boundaries and are not a direct obligation of the District's general fund.

One component of the District's "Net Position" is the net investment in capital assets of approximately $45.3 million. These funds are not liquid resources that can be used to fund ongoing operations. The largest component is the unrestricted net position of $(94.5) million which reflects the impact for the implementation of GASB Statement No. 68 (pensions).

Total Revenues for the Fiscal Year Ended June 30, 2018

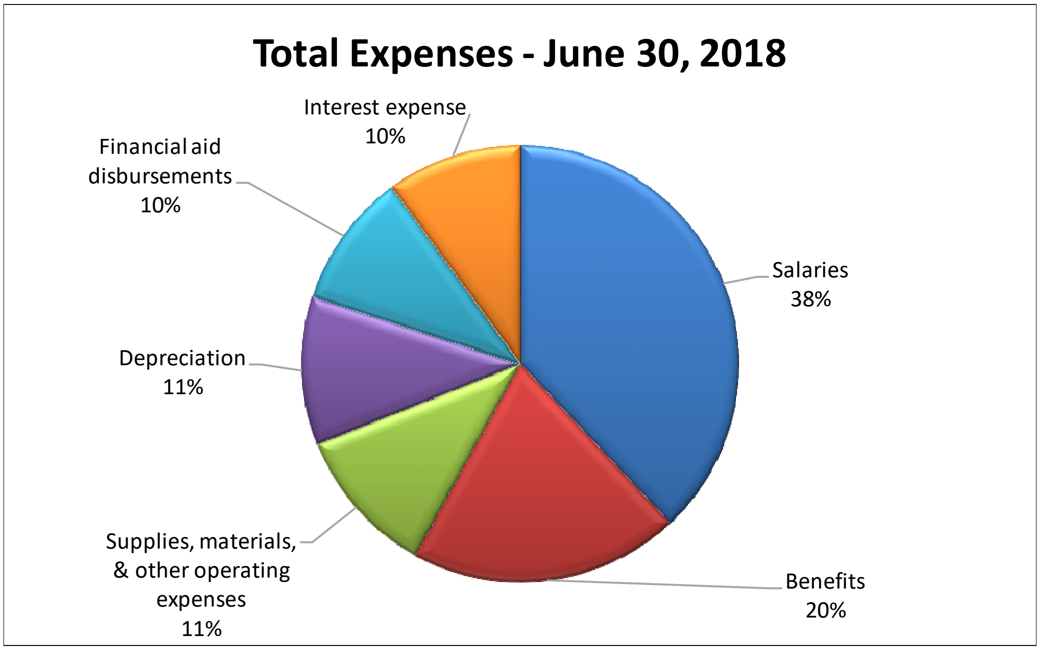
The following chart graphically shows the various components of revenue for the District as a whole:



The largest component of the District's total revenue is the receipt of local property taxes, with 40% of total revenue coming from this source. This is followed by capital revenues, which comprise 25% of total revenue, and represents local property taxes state apportionments related to the District's bonds. Tuition and fees represent 4% of total revenue and State apportionment was nominal given that the District transitioned into basic aid status in Fiscal Year 2012-2013.

Total Expenses for the Fiscal Year Ended June 30, 2018

The following chart graphically shows the various components of operating expenses for the District as a whole:

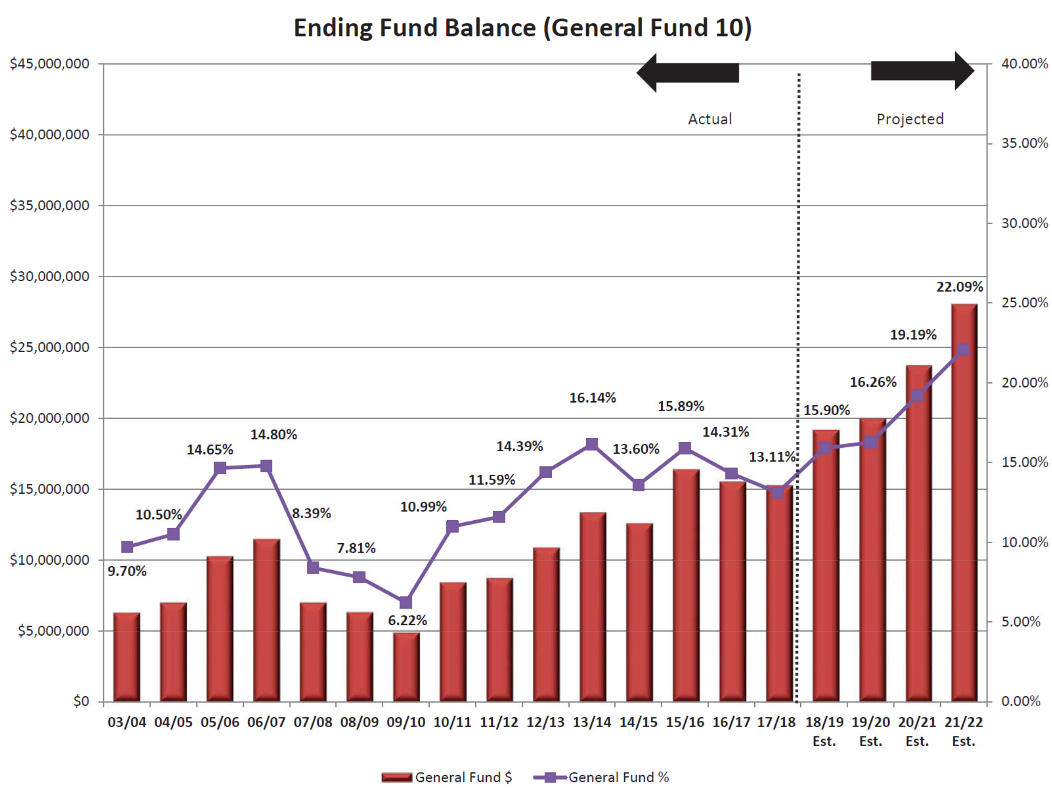


The largest component of the District's operating expense is the cost associated with employee salaries and benefits. Almost 58% of the total expense is spent for this purpose. "Supplies, materials, and other operating expenses" represent ongoing operating costs such as utilities and supplies. "Financial aid disbursements" represents amounts paid to students primarily for financial aid.

The OPEB Trust Fund was established with proceeds from the sale of OPEB Bonds which were used to fund the GASB 43/45 (Now GASB 74/75) Actuarial Valuation of Post Retirement Employee Benefits originally estimated at $45.7 million and projected to be $35.1 million dollars as of June 30, 2018. As of June 30, 2018, the liability is estimated to be over-funded by $10.6 million. The closing for the District's OPEB Bond was May 14, 2009, with an interest rate fixed at 4.62% and a rate of 4.239% effective in May 2012. In May 2012, the District refunded the OPEB bonds locking in an "all-in interest" rate of 5.239% for 15 years. Separate financial statements for the Retiree Benefit Plan Trust are available by contacting the San José/Evergreen Community College District Office.

Economic Factors That May Affect the Future

The Unrestricted General Fund 10 provides the resources necessary to sustain the day-to-day activities of the District and pays for most faculty, staff, administrative and other operating expenditures. Two key fiscal performance indicators are fund balance and infrastructural balance; that is current year revenues in relation to current year expenditures. In Fiscal Year 2006-2007, the District's ending fund balance peaked at 14.80%. The ending fund balance declined over the next three years to a low of 6.22% in Fiscal Year 2009-2010. In February 2011, the Board of Trustees adopted a 7% reserve principle, which has since been codified into policy, and the District experienced an increase in its ending fund balance each subsequent year to Fiscal Year 2013-2014, which ended with an ending fund balance of 16.14%. The District anticipated a planned reduction in its ending fund balance in Fiscal Year 2014-2015 to accommodate costs associated with personnel decisions including the addition of positions and collective bargaining settlements. This plan came to fruition with an ending fund balance of 13.60%. The District received one-time funding from the State of California for reimbursements of mandated cost programs resulting in an ending fund balance of 15.89% for Fiscal Year 2015-2016. The District slightly drew from its fund balance in Fiscal Year 2016-2017 and Fiscal Year 2017-2018 to end at 14.31% and 13.11% respectively primarily to provide cost-of-living increases for employees. As the District moves forward in budget planning for Fiscal Year 2018-2019 and beyond, the District will access fund balance resources as a budget stabilization tool to establish a balanced long-term infrastructure while maintaining the integrity of the reserves in compliance with Board policies and principles while providing funding to the District Financial Stabilization General Fund 12 created in February 2015 to buttress the District against future economic downturns. Below is a graphical depiction of the District's Ending Fund Balance for its Unrestricted General Fund 10:



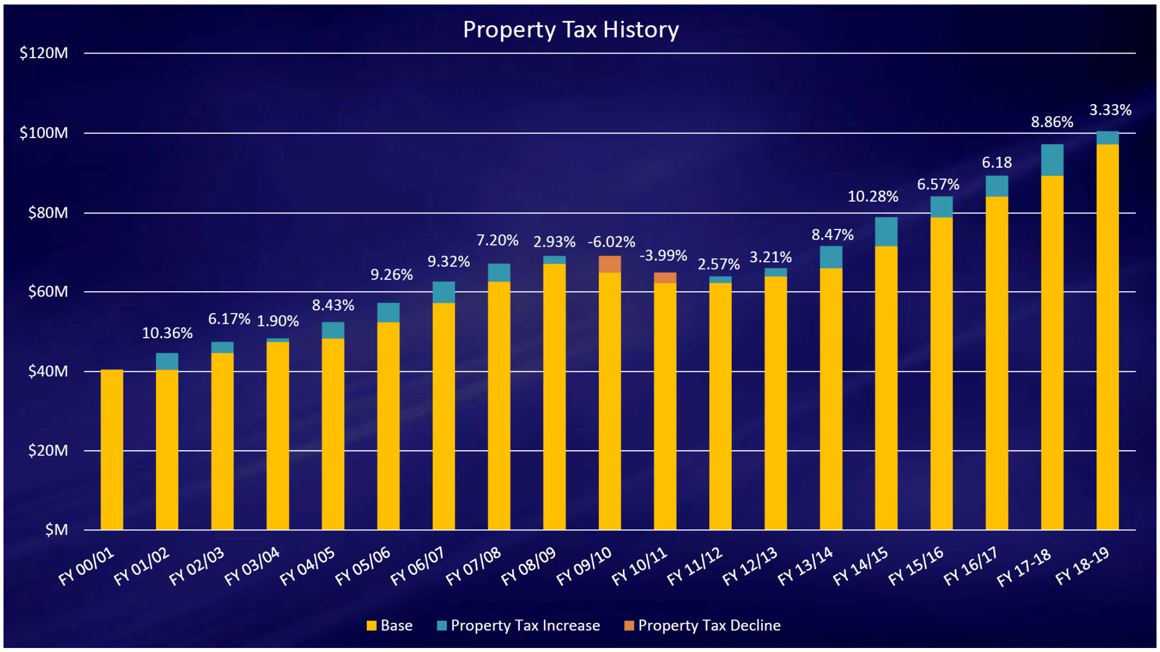
Economic Factors That May Affect the Future, continued

With the passage of Proposition 30 in November 2012 and a more robust economy, the fragility that the State budget had exhibited in the past has eased. The District is mindful that the Proposition 30 is temporary; in that, the sales tax increase sunsets in 2016 and the income tax increase sunsets in 2018 and has planned accordingly. With the passage of Proposition 55 in November 2016 certain provisions of Proposition 30 will be extended through 2030, which will secure funding of at least $100 per FTES for the District. The Fiscal Year 2018-2019 State budget continues to provide categorical resources such as Full-Time Faculty Hiring, Strong Workforce, Student Equity & Achievement (formerly known as Student Success and Support, Basic Skills, and Student Equity), and other restricted resources. Although direct State funding has not been provided for the increased costs associated with CalSTRS and CalPERS, the District has included these increases in its budget projections and intends to fund these increases with excess property tax revenues.

At the local level, the District has experienced a significant increase in its health and welfare costs and has joined a Joint Powers Authority effective Fiscal Year 2018-2019 to mitigate these cost escalations. The District is also planning for the imposition of the Cadillac Tax associated with the Affordable Healthcare Act effective Fiscal Year 2021-2022. To mitigate these cost increases, the District's property tax receipts continue to exceed expectations due to the continued robust housing market in the Silicon Valley. After a few years of decline, the District's assessed valuation increased 8.2% in Fiscal Year 2013-2014, 7% in Fiscal Year 2014-2015, 6.3% in Fiscal Year 2015-2016, 4% in Fiscal Year 2016-2017, 2.6% in Fiscal Year 2017-2018, 3.8% in Fiscal Year 2018-2019, and the roll-in-progress for Fiscal Year 2019-2020 indicates an increase of 3.3%. As a result of these increases and the dissolution of redevelopment agencies, the District realized a 12.4% increase in local property taxes in Fiscal Year 2013-2014, a 6.5% increase in Fiscal Year 2014-2015, a 6.6% increase in Fiscal Year 2015-2016, a 7% increase in Fiscal Year 2016-2017, an 8.21% increase in Fiscal Year 2017-2018, and is currently estimated to receive an increase of 3.3% in Fiscal Year 2018-2019; however, will likely end higher than 3.3% as subsequent data points received from Santa Clara tend to trend upwards throughout the year. As a result, the District continues to be in basic aid (community funded) status, whereby the District's local revenues exceed the State's computational revenue entitlement. Accordingly, the student-centered funding formula, which changes the methodology upon which the State allocates general apportionment dollars does not impact the District. Local property tax receipts remain the main revenue driver for basic aid districts and the District's property taxes are projected to continue to grow significantly over the next decade as the San Jose Redevelopment Agency and the Milpitas Redevelopment Agency winds down; thereby, redirecting property tax receipts to the District. The District is conservatively projecting a 3.5% increase in the subsequent fiscal years for its budget planning and will continue to closely monitor local property tax receipts. The District has also entered into an exclusive negotiation agreement with the intent of entering into a long-term land lease with a developer to develop surplus acreage owned by the District with the goal of generating millions of dollars in unrestricted funds to support the educational mission of the District and specific student success outcomes established by the State of California and the District's Board of Trustees.

Economic Factors That May Affect the Future, continued

Below is a graphical depiction of the District's on-going property tax receipts supporting the Unrestricted General Fund 10:



Progress on Capital Projects

The District continues to make progress in implementing its Facilities Master Plan with funding from its two active general obligation bonds programs during 2017-18: Measure G - 2010 and Measure X. The Physical Education Gymnasium Project at San Jose City College and Evergreen Valley College's demolition of Roble in preparation for its relocation and replacement are examples of program progress on the Measure G - 2010 Bond Program. Measure X experienced planning activities moving forward in preparation of its first major projects: the Student Services Building at Evergreen Valley College and both the Career and Technical Education Building and Maintenance and Operations Building at San Jose City College.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please contact the District at: San José/Evergreen Community College District, 40 South Market Street, San Jose, CA 95113 or visit the District's website at http://www.sjeccd.edu/.

FINANCIAL SECTION

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS		
Current Assets:		
Cash and cash equivalents	$	136,755,621
Accounts receivable, net		11,331,736
Prepaid expenditures and other assets		386,090
Total Current Assets		148,473,447
Noncurrent Assets:		
Restricted cash and cash equivalents		105,712,248
Prepaid OPEB asset		10,587,811
Capital assets, net		465,458,602
Total Noncurrent Assets		581,758,661
TOTAL ASSETS		730,232,108
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding		11,836,783
Deferred outflows - pensions		37,546,945
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	779,615,836
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$	24,803,820
Unearned revenue		19,551,609
Long-Term Debt, Current Portion		47,404,221
Total Current Liabilities		91,759,650
Noncurrent Liabilities:		
Compensated absences		3,148,007
Net pension liability		117,335,165
Long-Term Debt - Non-Current Portion		569,431,362
Total Noncurrent Liabilities		689,914,534
TOTAL LIABILITIES		781,674,184
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pensions		21,501,911
Deferred inflows - OPEB		2,126,130
NET POSITION		
Net investment in capital assets		39,225,474
Restricted for:		
Debt Service		59,435,153
Capital Projects		6,390,813
Educational Programs		200,325
Unrestricted		(130,938,154)
TOTAL NET POSITION		(25,686,389)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	779,615,836

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Tuition and fees (gross)	$ 19,018,380
Less: Scholarship discounts and allowances	(8,280,092)
Net tuition and fees	10,738,288
Grants and contracts, noncapital:	
Federal	5,386,094
State	16,353,912
Local	1,862,378
Auxiliary enterprise sales, net	76,042
TOTAL OPERATING REVENUES	34,416,714
OPERATING EXPENSES	
Salaries	86,109,065
Employee benefits	45,030,660
Supplies, materials, and other operating expenses and services	25,247,005
Student aid	21,713,282
Depreciation	24,421,708
TOTAL OPERATING EXPENSES	202,521,720
OPERATING INCOME (LOSS)	(168,105,006)
NON-OPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	2,696,538
Local property taxes	96,924,610
State taxes and other revenues	14,056,673
Pell grants	18,534,655
Investment income	2,995,811
Interest expense on capital asset-related debt	(22,269,731)
Transfer from trust fund	4,158,945
Other non-operating revenues	9,137,157
TOTAL NON-OPERATING REVENUES (EXPENSES)	126,234,658
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(41,870,348)
State apportionments, capital	321,583
Local property taxes and revenues, capital	59,790,985
INCREASE (DECREASE) IN NET POSITION	18,242,220
NET POSITION -- BEGINNING OF YEAR	(12,147,042)
PRIOR YEAR ADJUSTMENT (SEE NOTE 12)	(31,781,567)
NET POSITION -- END OF YEAR	$ (25,686,389)

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 10,738,288
Grants and contracts	22,501,658
Payments to or on behalf of employees	(108,203,205)
Payments to vendors for supplies and services	(24,282,320)
Payment to students	(38,241,643)
Other receipts	76,042
Net Cash Used In Operating Activities	(137,411,180)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State apportionments	2,696,538
Grants and contracts, non-capital	18,534,655
Property taxes	96,924,610
State taxes and other revenues	14,056,673
Other non-operating	13,296,102
Net Cash Provided by Non-Capital Financing Activities	145,508,578
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(27,427,244)
Proceeds from debt issuance	86,700,176
State revenue, capital projects	321,583
Local revenue, capital	59,790,985
Principal paid on capital debt	(16,940,384)
Interest paid on capital debt	(23,085,408)
Net Cash Used In Capital Financing Activities	79,359,708
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	2,995,811
Net Cash Provided by (Used in) Investing Activities	2,995,811
NET DECREASE IN CASH & CASH EQUIVALENTS	90,452,917
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	152,014,952
CASH & CASH EQUIVALENTS, END OF YEAR	$ 242,467,869

See accompanying notes to financial statements

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (168,105,006)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	24,421,708
Changes in Assets and Liabilities:	
Receivables, net	(1,530,127)
Prepaid items	(250,598)
Net OPEB Asset	(2,850,520)
Deferred outflows of resources	(16,226,253)
Accounts payable and accrued liabilities	1,215,283
Deferred revenue	127,293
Compensated absences	483,520
Net pension liability	24,881,435
Deferred inflows if resources - pensions	(1,704,045)
Deferred inflows of resources - OPEB	2,126,130
Total Adjustments	30,693,826
Net Cash Flows From Operating Activities	$ (137,411,180)

	OPEB Irrevocable Trust Fund	Agency Fund
ASSETS		
Investments	$ 44,979,621	$ -
Accounts receivable	18,352	8,780
Total Assets	44,997,973	8,780
LIABILITIES		
Deferred Revenue	-	8,780
Total Liabilities	-	8,780
NET POSITION		
Held in Trust	44,997,973	-
Total Net Position Held in Trust	$ 44,997,973	$ -

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	OPEB Irrevocable Trust Fund
ADDITIONS	
Net investment income	$ 3,565,372
Total Additions	3,565,372
DEDUCTIONS	
Retiree benefits	4,158,944
Total Deductions	4,158,944
Excess deductions over additions	(593,572)
NET POSITION HELD IN TRUST	
Beginning of Year	45,591,545
End of Year	$ 44,997,973

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

San José/Evergreen 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. While the District is a political subdivision of the State, it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2100.101. The District is classified as a state instrumentality under Internal Revenue Code Section 115.

The decision to include potential component units in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America and GASB Cod. Sec. 2100. The three criteria for requiring a legally separate, tax-exempt organization to be presented as a component unit are the "direct benefit" criterion, the "entitlement/ability to access" criterion, and the "significance" criterion. The District has no component units.

Basis of Presentation and Accounting

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB. Under this model, the District's financial statements provide a comprehensive entity-wide perspective at the District's financial position and activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded with the obligation has been incurred. All significant intra-agency transactions have been eliminated.

Fiduciary funds for which the District acts only as an agent or trust are not included in the business-type activities of the District. These funds are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level.

The District records revenues when earned and expenses when a liability is incurred regardless of the timing of the related cash flow. The budgetary and financial accounts of the District are recorded and maintained in accordance with the Chancellor's Office's *Budget and Accounting Manual*.

Cash and Cash Equivalents

For the purposes of the financial statements, cash equivalents are defined as financial instruments with an original maturity of three months or less. Funds invested in the Santa Clara County Treasury are considered cash equivalents and are stated at fairvalue.

Restricted Cash

Cash that is externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, is classified as a noncurrent asset in the Statement of Net Position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments held by the OPEB Irrevocable Trust Fund are reported at fair value using quoted market prices and unrealized and realized gains and losses are included in the Statement of Changes in Fiduciary Net Position.

Receivables

Receivables 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. Receivables 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. The District provides for an allowance for uncollectible accounts as an estimation of amounts they may not receive. The allowance is based upon management's estimates and analysis. The allowance was estimated at $2,620,558 for the year ended June 30, 2018.

Capital Assets

Capital assets are recorded at the date of acquisition, or fair market value at the date of donation in the case of gifts. The District's capitalization policy included all items with an estimated useful life of greater than one year and a cost of $5,000 or more. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 50 years for buildings, 15 years for portable buildings, 10 years for land improvements, 8 years for most equipment and vehicles, and 3 years for technology equipment such as computers. Land and construction in progress are considered non-depreciable capital assets; therefore, no depreciation is computed.

The District capitalizes interest paid on obligations related to the acquisition, construction or rehabilitation of District capital assets. Interest expense and interest capitalized totaled $22,269,731 and $1,394,515, respectively, during the year ended June 30, 2018.

Compensated Absences

Compensated absences costs are accrued when earned by employees. Accumulated unpaid employee vacation benefits are recognized at year end as liabilities of the District.

Accumulated Sick Leave

Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or 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 certain STRS and PERS employees, when the employee retires.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Banked Faculty Load

A regular teaching load is considered by a schedule which yields one Full Time Equivalent (FTE). An overload is defined as a schedule which yields more than one FTE. The excess load is recorded as a liability in the Statement of Net Position.

Unearned Revenue

Revenue from Federal, State and local special projects and programs is recognized when qualified expenditures have been incurred. Tuition, fees and other support received but not earned are recorded as unearned revenue until earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes 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(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Due to the refunding of general obligation bonds during the year ended June 30, 2015, a $9,788,421 deferred loss on refunding was recognized. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

In addition to liabilities, the statement of net position reports 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(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the statement of net position.

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 State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

The District's net position are classified as follows:

> *Net investment in capital assets:* This represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
>
> *Restricted net position:* Restricted expendable net position includes resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2018, there is no balance of nonexpendable restricted net position.
>
> *Unrestricted net position:* Unrestricted net position represent resources derived from student tuition and fees, State apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources, and then towards unrestricted resources.

State Apportionments

Certain current year apportionments from the State are based on various financial and statistical information of the previous year. Any prior year corrections due to a recalculation will be recorded in the year computed by the State.

Classification of Revenue and Expenses

The District has classified its revenues as either operating or nonoperating revenues. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Cod. Sec. Co5.101 including State appropriations, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues and expenses: 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, (3) most Federal, State and local grants and contracts and Federal appropriations. All expenses are considered operating expenses except for interest expense on capital related debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Classification of Revenue and Expenses, continued

Nonoperating revenues and expenses: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as Pell grants, State apportionments, taxes, gifts and contributions, investment income and other revenue sources described in GASB. Interest expense on capital related debt is the only non-operating expense.

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of the Board of Governors fee waivers and allowances in the statement of revenues, expenses and change in net position. Certain governmental grants, and other federal, state and nongovernmental programs are recorded as operating revenues, while Federal Pell Grants are classified as non-operating revenues in the District's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the District has recorded a scholarship discount and allowance.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

Change in Accounting Principal

In June 2015, the GASB has issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No.45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Change in Accounting Principal, continued

GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018.

In June 2015, the GASB has issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. In connection with Statement 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016.

In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14. This standard's primary objective is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement is effective for the District's fiscal year ending June 30, 2017.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncements, continued

Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged; however, no such asset retirement obligations are known at this time.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged. This statement is not expected to have a significant effect on the district financial reporting.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District is in the process of determining the effect on the financial reporting.

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2018, consisted of the following:

	Primary Government
Cash in county treasury	$ 77,464,714
Cash on hand and in banks	358,638
Cash with fiscal agent	164,644,517
Total Deposits and Investments	$ 242,467,869

	Fiduciary Funds
Investments	$ 44,979,621
Total Deposits and Investments	$ 44,979,621

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Santa Clara County Treasury for the purpose of increasing interest earning through County investment activities. The County pools and invests the cash. Those pooled funds are carried at fair value which approximates cost.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial risk classifications is required.

The District's deposits in the fund are considered to be highly liquid. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The Santa Clara County Treasurer has indicated that there are no derivatives in the pool as of June 30, 2018.

Custodial Credit Risk

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 110 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 is considered to be held in the name of the District. All cash held by financial institutions that is not insured is collateralized.

NOTE 2 - CASH AND INVESTMENTS, continued

In accordance with Sections 53601 and 53602 of the California Government code, the District may invest in the following types of investments:

- Securities of the U.S. Government, or its agencies
- Small Business Administration Loans
- Negotiable Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- Local Agency Investment Fund (State Pool) Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District and Fiduciary cash accounts held in banks was $358,638, of which $250,000 was insured.

Cash with Fiscal Agent

Cash with Fiscal Agent of $164,644,517 represents amounts held in the District's name in the County Treasury for future construction projects and repayment of long-term liabilities.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, the District had no significant interest rate risk related to cash held.

California Government Code, Section 53601, limits the District's investments to maturities of five years. The weighted average days to maturity of the District's investment of cash in the County treasurer's investment pool is 479 days. The District does not have an investment policy regarding interest rate risk.

The District's OPEB Trust (the "Trust") investments consisted of open-end mutual funds, therefore, there are no significant interest rate risks related to the investments held, as there are no maturities related to the mutual funds held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of State law.

NOTE 2 - CASH AND INVESTMENTS, continued

The Trust has adopted an internally developed investment policy that requires all fixed income investments to be of investment grade quality or higher at purchase; that is, at the time of purchases, rated no lower than "BBB" by Standard and Poor's. The Retirement Board of Authority ("RBOA"), at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At June 30, 2018, the Trust investments consisted of open-end mutual funds, therefore there are no credit ratings to disclose.

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had no concentration of credit risk.

Trust Investments

The Trust agreement authorizes the use of a broad range of investment choices that have distinctly different risks and return characteristics. In general, investments held in the Trust Fund are for the primary purpose of meeting present and future OPEB liability obligations and may be invested in accordance with California Government Code Sections 53600 through 53622 that, subject to applicable legal requirements, may provide greater latitude to increase purchasing power and capital growth potential if deemed prudent to do so.

The Trust Fund's policy is to provide a uniform method of investing contributions and earnings of the trust. In general, assets held in the trust will be for the primary purpose of meeting present and future OPEB liability obligations and are invested with the objective of achieving a target net annual rate of return of 6.5%. In April 2018, the RBOA amended its investment policy to consolidate its long-term and short-term portfolios.

As stated in the Investment Policy, the Trust will invest predominantly in open-end mutual funds. The fair value of the Trust's individual investments at June 30, 2018 are as follows:

Mutual funds:		
Common stocks	$	18,356,970
Fixed income		24,751,099
Real estate		1,871,552
Total investments	$	44,979,621

During the fiscal year ended June 30, 2018, the Trust's investments (including gains and losses on investments bought and sold as well as held during the year) appreciated as follows:

Unrealized gains, net	$	1,539,115
Realized gains		279,479
Dividend and other income		1,841,442
Investment fees		(94,664)
Total investment gains	$	3,565,372

NOTE 3 - RECEIVABLES

Receivables at June 30, 2018 totaled $11,331,736. Significant components of the balance include $6,506,169 in student receivables and $4,825,567 related to grants and contracts.

The allowance for doubtful accounts is maintained at an amount which management considers sufficient to reserve and provide for the possible uncollectability of other receivable balances.

NOTE 4 - CAPITAL ASSETS

Capital asset activity consists of the following:

	Beginning Balance July 01, 2017	Additions	Deductions	Ending Balance June 30, 2018
Capital Assets not being Depreciated				
Land	$ 3,441,983	$ -	$ -	$ 3,441,983
Construction in progress	65,631,111	24,124,361	22,282,714	67,472,758
Total Capital Assets not being Depreciated	69,073,094	24,124,361	22,282,714	70,914,741
Capital Assets being Depreciated				
Land improvements	85,680,333	2,975,116	-	88,655,449
Buildings & improvements	484,956,661	19,307,598	-	504,264,259
Furniture and Equipment	40,570,692	4,697,398	-	45,268,090
Total Capital Assets being Depreciated	611,207,686	26,980,112	-	638,187,798
Total Capital Assets	680,280,780	51,104,473	22,282,714	709,102,539
Less Accumulated Depreciation				
Land improvements	50,657,680	5,374,513	-	56,032,193
Buildings & improvements	143,853,263	14,703,992	-	158,557,255
Furniture and Equipment	24,711,286	4,343,203	-	29,054,489
Total Accumulated Depreciation	219,222,229	24,421,708	-	243,643,937
Net Capital Assets	$ 461,058,551	$ 26,682,765	$ 22,282,714	$ 465,458,602

NOTE 5 - UNEARNED REVENUE

Unearned revenue for the District consisted of the following:

State financial awards	$ 13,610,548
Enrollment fees	4,771,707
Other local revenue	1,169,354
Total unearned revenue	$ 19,551,609

NOTE 6 - LONG TERM LIABILITIES

General Obligation Bonds

In April 2004, the 2004 General Obligation Refunding Bonds were issued in three series and the proceeds were used to refund a portion of the outstanding principal amount of the District's election of the 1998 General Obligation Bonds, Series A, B, C, and D and to pay the costs of issuance associated with the Refunding Bonds. A portion of the bonds were refunded in 2014. The remaining capital appreciation bonds of $3,800,995 mature through September 1, 2021 with interest rates ranging from two to five percent. Interest on the capital appreciation bonds is compounded semiannually and due only at maturity.

The general long-term liabilities maturity schedule for the 2004 General Obligation Refunding Bonds is as follows:

2004 Refunding Bonds

Fiscal Year	Principal	Interest	Total
2019	$ -	$ -	$ -
2020	924,660	4,575,340	5,500,000
2021	2,317,021	13,167,979	15,485,000
2022	559,314	3,640,686	4,200,000
Total	$ 3,800,995	$ 21,384,005	$ 25,185,000

In May 2005, the District issued $55,391,474 of the 2004 General Obligation Bonds as Series A under the $185,000,000 bond measure approved by voters on November 2, 2004 for the acquisition, construction and modernization of certain District properties and facilities. A portion of the bonds were refunded in 2014 and the remaining current interest bonds of $5,555,000 and capital appreciation bonds of $4,466,417 were refunded in 2015.

In February 2008, the District issued $97,999,946 of the 2004 General Obligation Bonds as Series B through $74,365,000 of current interest bonds and $23,634,946 of capital appreciation bonds. A portion of the current interest bonds were refunded in 2015. The remaining Bonds mature through September 1, 2032 with interest rates ranging from three to seven percent. Interest on the capital appreciation bonds is compounded semiannually and due only at maturity.

In April 2014, the District issued $31,605,000 of the 2004 General Obligation Bonds as Series C. These current interest bonds mature through September 1, 2032 with interest rates ranging from two to five percent.

NOTE 6 - LONG TERM LIABILITIES, continued

The general long-term liabilities maturity schedules for the 2004 General Obligation Bonds Series B and C are as follows:

2004 Series B General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 3,100,000	$ 77,500	$ 3,177,500
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	10,609,605	27,725,395	38,335,000
Total	$ 13,709,605	$ 27,802,895	$ 41,512,500

2004 Series C General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 765,000	$ 1,219,638	$ 1,984,638
2020	870,000	1,190,763	2,060,763
2021	-	1,173,363	1,173,363
2022	1,075,000	1,146,488	2,221,488
2023	1,215,000	1,089,238	2,304,238
2024-2028	8,480,000	4,484,886	12,964,886
2029-2033	13,850,000	1,830,617	15,680,617
Total	$ 26,255,000	$ 12,134,993	$ 38,389,993

In May 2012, The District issued $47,450,000 of OPEB Taxable Bonds, Series B. These bonds were issued to advance refund a portion of the District's outstanding 2009 OPEB Taxable Bonds, Series A, and to pay the costs of issuance associated with the Series B bonds. The bonds mature through June 1, 2044 and bear a variable interest rate with an initial LIBOR Index Rate Period ending on April 30, 2027, subsequent to which the District can elect various rate methods with a maximum rate of 12%.

NOTE 6 - LONG TERM LIABILITIES, continued

The general long-term liabilities maturity schedules for the OPEB Taxable Bonds are as follows:

OPEB Taxable Bonds

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 2,477,542	$ 2,477,542
2020	-	2,477,542	2,477,542
2021	-	2,478,117	2,478,117
2022	-	2,476,967	2,476,967
2023	210,000	2,472,714	2,682,714
2024-2028	2,665,000	12,067,440	14,732,440
2029-2033	6,295,000	10,943,277	17,238,277
2034-2038	12,090,000	8,590,166	20,680,166
2039-2043	20,705,000	4,359,846	25,064,846
2044	5,485,000	142,499	5,627,499
Total	$ 47,450,000	$ 48,486,110	$ 95,936,110

In February 2012, the District issued $70,000,000 and $20,000,000 of General Obligation Bonds as Series A and Series B under the $268,000,000 bond measure approved by voters on November 2, 2010 to finance the acquisition, construction, and modernization of certain District property and facilities. The Series A and Series B Bonds mature through August 1, 2041 and August 1, 2032, respectively, with interest rates ranging from two to four percent.

In April 2014, the District issued $120,000,000 of 2010 General Obligation Bonds as Series C. The Series C Bonds mature through September 1, 2043 with interest rates ranging from two to five percent.

In May 2016, the District issued $58,000,000 of 2010 General Obligation Bonds as Series D. The Series D Bonds mature through September 1, 2037 with interest rates ranging from two to five percent.

The general long-term liabilities maturity schedules for the 2010 General Obligation Bonds Series A, B, C and D are as follows:

2010 Series A General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 2,221,944	$ 2,221,944
2020	-	2,221,944	2,221,944
2021	-	2,221,944	2,221,944
2022	-	2,221,944	2,221,944
2023	-	2,221,944	2,221,944
2024-2028	355,000	11,101,122	11,456,122
2029-2033	2,855,000	10,765,625	13,620,625
2034-2038	19,455,000	8,110,625	27,565,625
2039-2042	23,660,000	2,320,900	25,980,900
Total	$ 46,325,000	$ 43,407,992	$ 89,732,992

NOTE 6 - LONG TERM LIABILITIES, continued

2010 Series B General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 140,000	$ 699,950	$ 839,950
2020	260,000	692,650	952,650
2021	390,000	679,650	1,069,650
2022	535,000	661,150	1,196,150
2023	685,000	636,750	1,321,750
2024-2028	5,745,000	2,594,950	8,339,950
2029-2033	9,065,000	1,050,475	10,115,475
Total	$ 16,820,000	$ 7,015,575	$ 23,835,575

2010 Series C General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 355,000	$ 4,909,544	$ 5,264,544
2020	515,000	4,899,069	5,414,069
2021	690,000	4,887,019	5,577,019
2022	875,000	4,871,369	5,746,369
2023	1,065,000	4,835,994	5,900,994
2024-2028	9,130,000	23,043,345	32,173,345
2029-2033	17,350,000	19,787,844	37,137,844
2034-2038	28,565,000	14,345,218	42,910,218
2039-2043	42,705,000	6,886,436	49,591,436
2044	10,585,000	218,316	10,803,316
Total	$ 111,835,000	$ 88,684,154	$ 200,519,154

2010 Series D General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 2,525,000	$ 1,954,306	$ 4,479,306
2020	1,620,000	1,858,781	3,478,781
2021	920,000	1,803,381	2,723,381
2022	1,075,000	1,753,506	2,828,506
2023	1,250,000	1,695,381	2,945,381
2024-2028	9,285,000	7,354,955	16,639,955
2029-2033	15,225,000	5,073,209	20,298,209
2034-2038	23,620,000	1,957,941	25,577,941
Total	$ 55,520,000	$ 23,451,460	$ 78,971,460

NOTE 6 - LONG TERM LIABILITIES, continued

In April 2014, the District issued $50,850,000 and $48,275,000 of 2014 General Obligation Refunding Bonds as Series A and Series B. The proceeds from the sale of the bonds were used to advance refund a portion of the District's outstanding 2004 General Obligation Refunding Bonds, 2004 General Obligation Bonds, Series A and to pay the costs of issuing the 2014 Refunding Bonds. At June 30, 2015, $52,410,000 of the 2004 General Obligation Refunding Bonds and $44,000,057 of the 2004 General Obligation, Series A bonds were considered defeased through the 2014 Refunding Bonds. The Series A and Series B Bonds mature through August 1, 2029 and August 1, 2019, respectively, with interest rates ranging from one to five percent.

The general long-term liabilities maturity schedules for the 2014 General Obligation Refunding Bonds Series A and B are as follows:

2014 Refunding Bond Series A

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 2,530,800	$ 2,530,800
2020	-	2,530,800	2,530,800
2021	-	2,530,800	2,530,800
2022	390,000	2,526,900	2,916,900
2023	4,120,000	2,420,000	6,540,000
2024-2028	29,240,000	8,240,750	37,480,750
2029-2030	17,100,000	875,250	17,975,250
Total	$ 50,850,000	$ 21,655,300	$ 72,505,300

2014 Refunding Bond Series B

Fiscal Year	Principal	Interest	Total
2019	$ 11,730,000	$ 666,000	$ 12,396,000
2020	7,455,000	186,375	7,641,375
Total	$ 19,185,000	$ 852,375	$ 20,037,375

In June 2015, the District issued $81,765,000 of 2015 General Obligation Refunding Bonds as Series A and Series B. The proceeds from the sale of the bonds were used to advance refund the District's outstanding 2004 General Obligation Bonds, Series A, a portion of the 2004 General Obligation Bonds, Series B and to pay the costs of issuing the 2015 Refunding Bonds. At June 30, 2015, $10,021,418 of the 2004 General Obligation Bonds, Series A and $71,265,000 of the 2004 General Obligation, Series B bonds were considered defeased through the 2015 Refunding Bonds. The 2015 Refunding Bonds mature through September 1, 2029, with interest rates ranging from two to five percent.

The economic gain or difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate is $8,155,578.

NOTE 6 - LONG TERM LIABILITIES, continued

There was no accrued interest or sinking fund resources related to the new debt proceeds.

The general long-term liabilities maturity schedules for the 2015 General Obligation Refunding Bonds are as follows:

2015 Refunding Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 125,000	$ 3,666,250	$ 3,791,250
2020	3,085,000	3,608,950	6,693,950
2021	3,365,000	3,487,850	6,852,850
2022	11,005,000	3,148,800	14,153,800
2023	11,965,000	2,593,025	14,558,025
2024-2028	47,740,000	5,104,775	52,844,775
2029-2030	2,940,000	104,650	3,044,650
Total	$ 80,225,000	$ 21,714,300	$ 101,939,300

In May 2018, the District issued $39,000,000 and $46,000,000 of 2016 General Obligation Refunding Bonds as Series A and Series A-1. The proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, including technology projects. The 2016 Series A and Series A-1 Bonds mature through September 1, 2038 and September 1, 2033, respectively, with interest rates ranging from one to five percent.

The general long-term liabilities maturity schedules for the 2016 General Obligation Bonds Series A and A-1 are as follows:

2016 Series A General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 5,175,000	$ 949,440	$ 6,124,440
2020	5,680,000	1,166,294	6,846,294
2021	1,120,000	1,058,694	2,178,694
2022	430,000	1,027,694	1,457,694
2023	490,000	1,009,294	1,499,294
2024-2028	3,660,000	4,613,720	8,273,720
2029-2033	6,105,000	3,596,592	9,701,592
2034-2038	12,940,000	1,973,496	14,913,496
2039	3,400,000	68,000	3,468,000
Total	$ 39,000,000	$ 15,463,224	$ 54,463,224

NOTE 6 - LONG TERM LIABILITIES, continued

2016 Series A General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2019	$ 18,945,000	$ 703,492	$ 19,648,492
2020	20,220,000	554,416	20,774,416
2021	570,000	277,737	847,737
2022	230,000	263,930	493,930
2023	270,000	251,430	521,430
2024-2028	1,910,000	1,008,356	2,918,356
2029-2033	3,070,000	496,449	3,566,449
2034	785,000	16,399	801,399
Total	$ 46,000,000	$ 3,572,209	$ 49,572,209

<u>Change in Long-Term Liabilities:</u>

A schedule of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds					
General obligation bonds	$ 488,915,984	$ 85,000,000	$ 16,940,384	$ 556,975,600	$ 42,860,000
Unamortized premium	39,531,952	1,700,176	4,544,221	36,687,907	4,544,221
Accreted interest	20,721,862	3,154,830	704,616	23,172,076	-
Total general obligation bonds	549,169,798	89,855,006	22,189,221	616,835,583	47,404,221
Other Long-Term Liabilities					
Compensated absences	2,664,487	483,520	-	3,148,007	-
Net pension liability	92,453,730	24,881,435	-	117,335,165	-
Total Other Long-Term Liabilities	95,118,217	25,364,955	-	120,483,172	-
Total Long-Term Obligations	$ 644,288,015	$ 115,219,961	$ 22,189,221	$ 737,318,755	$ 47,404,221

NOTE 7 - PROPERTY TAXES

All property taxes are levied and collected by the Tax Assessor of the County of Santa Clara and paid upon collection to the various taxing entities including the District. Secured taxes are levied on July 1 and are due in two installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date for secured and unsecured property taxes is March 1 of the preceding fiscal year. The County of Santa Clara has elected the optional alternative method for allocating delinquent property tax revenues, the Teeter Plan. Under this plan property tax revenues are based on the total amount of property taxes billed, but not yet collected.

NOTE 8 - NET PENSION LIABILITY

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

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 66,746,495	$ 21,894,792	$ 20,940,088	$ 5,980,381
CalPERS	50,588,670	15,652,153	561,823	10,747,774
Total	$ 117,335,165	$ 37,546,945	$ 21,501,911	$ 16,728,155

Pension Plans – California Public Employees' Retirement System (CalPERS)

General Information about the Pension Plan

Plan Description – Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

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

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

General Information about the Pension Plan, continued

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	15.53%	15.53%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $4,779,786.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $50,588,670. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.212 percent and 0.203 percent, resulting in a net increase in the proportionate share of 0.009 percent.

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

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

For the year ended June 30, 2018, the District recognized pension expense of $10,747,774. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ 524,976	$ -
Differences between expected and actual experience	1,762,905	-
Changes in assumptions	7,389,271	561,823
Net changes in proportionate share of net pension liability	1,195,215	-
District contributions subsequent to the measurement date	4,779,786	-
Total	$ 15,652,153	$ 561,823

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 3,659,650
2020	3,665,251
2021	3,730,349
2022	(744,706)
	$ 10,310,544

Actuarial assumptions - For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 and the June 30, 2016 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), continued

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10*	Real Return Years 11+**
Global Equity	47%	4.90%	5.38%
Fixed Income	19%	0.80%	2.27%
Inflation Assets	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure and Forestland	3%	3.90%	5.36%
Liquidity	2%	-0.40%	-0.90%
	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 7.15 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.

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California Public Employees' Retirement System (CalPERS), 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 7.15 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 in the following table:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Plan's net pension liability	$ 74,432,144	$ 50,588,670	$ 30,808,511

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS CAFR at https://www.calpers.ca.gov.

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS)

General Information about the Pension Plan

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided - The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans. The STRP provision and benefits in effect as June 30, 2018 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%*
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

*The rate imposed on CalSTRS 2% at 62 members assuming no change in the normal cost of benefits.

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

General Information about the Pension Plan, continued

Contributions - Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $5,997,232.

On-Behalf Payments - The District was the recipient of on-behalf payments made by the State of California to CalSTRS for community college education. These payments consist of State general fund contributions of approximately $2,666,097 to CalSTRS.

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

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

Total net pension liability, including State's share:

District's proportionate share of the net pension liability	$	66,746,495
State's proportionate share of the net pension liability associated with the District		39,486,984
Total	$	106,233,479

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.072 percent and 0.065 percent, resulting in a net increase in the proportionate share of 0.007 percent.

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

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

For the year ended June 30, 2017, the District recognized pension expense of $5,980,381. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	$ -	$ 3,984,747
Differences between expected and actual experience	246,835	1,204,207
Changes in assumptions	12,365,259	-
Net changes in proportionate share of net pension liability	3,285,466	15,751,134
District contributions subsequent to the measurement date	5,997,232	-
Total	$ 21,894,792	$ 20,940,088

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to pensions will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (3,335,924)
2020	(3,335,925)
2021	(2,157,073)
2022	(305,677)
2023	1,990,054
Thereafter	2,102,019
	$ (5,042,526)

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

Actuarial Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the 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 is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table**:**

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return*
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Cash/Liquidity	2%	-1.00%
Absolute Return/Risk Mitigation Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	100%	

*20-year geometric average

NOTE 8 - NET PENSION LIABILITY, continued

Pension Plans – California State Teachers' Retirement System (CalSTRS), continued

Discount rate - The discount rate used to measure the total pension liability was 7.10 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 increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.10% 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 (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Plan's net pension liability	$ 98,005,045	$ 66,746,495	$ 41,378,063

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS CAFR at http://www.calstrs.com/comprehensive-annual-financial-report.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the District provides postemployment health care benefits to eligible employees who retire from the District and their spouses. The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan. The Plan is administered by the District. In May 2009, the District issued OPEB Taxable Bonds for the purpose of financing the Plan. There are no required funding rates to the Plan. The OPEB Trust fund is separately presented as a fiduciary fund of the District. Separate financial statements are prepared for the Plan and may be obtained by contacting the District on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50. 108 -109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Employees Covered by Benefit Term

The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive Employees/Dependents Receiving Benefits	296
Active Employees	330
Total	626

Contributions: Eligible employees are not permitted to make contributions to the Trust. The Plan administrator shall, on behalf of the employer, make all contribution to the Trustee. All contributions shall be paid to the Trustee for investment and reinvestment pursuant to the terms of the trust agreement. The District does not have contractually required contributions rates, but contributes in an amount sufficient to fully fund the Net OPEB obligation over a period not to exceed 30 years. There were no contributions to the Trust from the District for the year ended June 30, 2018.

OPEB Plan Investments

The plan discount rate of 7.5 was determined using the following asset allocation and assumed rate of return:

Asset Class	Target Allocation	Rate of Long-Term Expected Real Rate of Return
Fixed Income	32%	2.75%
Domestic Equities	37%	5.50%
International Equities	21%	6.50%
Alternative Assets	10%	5.00%
Cash	0%	0.00%
Total	100%	

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS, continued

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	7.50%
Discount rate	7.50%
Health care cost trend rate	6.50%
Payroll increase	3.00%
Mortality	For certificated employees the 2009 CalSTRS mortality tables were used. For classified employees the 2014 CalPERS active mortality for miscellaneous employees were used.

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance July 1, 2016	$ 36,579,706	$ 44,289,479	$ (7,709,773)
Changes for the year:			
Service cost	115,771	-	115,771
Interest	2,596,426	-	2,596,426
Net investment income	-	5,815,202	(5,815,202)
Administrative expense	-	(224,967)	224,967
Benefit payments	(4,152,914)	(4,152,914)	-
Net change	(1,440,717)	1,437,321	(2,878,038)
Balance June 30, 2017	$ 35,138,989	$ 45,726,800	$ (10,587,811)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS, continued

Sensitivity of the Net Pension Liability to Assumptions

The following presents the net OPEB liability calculated using the discount rate of 7.5 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (6.5 percent) and 1 percent higher (8.5):

	Discount Rate 1% Lower (6.50%)	Current Discount Rate (7.50%)	Discount Rate 1% Higher (8.50%)
Net OPEB liability(asset)	$ (8,046,240)	$ (10,587,811)	$ (12,831,387)

The following table presents the net OPEB liability calculated using the heath care cost trend rate of 6.5 percent. The schedule also shows what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percent lower (5.5 percent) and 1 percent higher (7.5 percent):

	Healthcare Cost Trent Rates 1% Lower (5.50%)	Healthcare Cost Trent Rates Current Rate (6.50%)	Healthcare Cost Trent Rates 1% Higher (7.50%)
Net OPEB liability(asset)	$ (12,906,662)	$ (10,587,811)	$ (7,984,543)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss. For differences between projected and actual earnings on OPEB plan investments; the recognition period is 5 years. All other sources are recognized over the expected average remaining service lifetime.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS, continued

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

For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense(revenue) of $(751,908). As of the year ended June 30, 2018, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ -	$ 2,126,130
	$ -	$ 2,126,130

The deferred outflows/(inflows) of resources related to OPEB will be recognized as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (531,532)
2020	(531,532)
2021	(531,532)
2022	(531,534)
	$ (2,126,130)

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial statements.

Operating Leases

The District has entered into a long-term operating lease for land on which the San Jose City Technology Center is located. Terms of the lease are for a period of 60 years, expiring in 2062, and containing provisions for extension, if desired. This agreement does not contain a purchase option. The agreement does contain a clause providing for cancellation by the landlord after a specified number of days written notice. Rent expenses were $353,774 for the year ended June 30, 2018. Future minimum rental payments under this agreement as of June 30, 2018 are as follows:

Fiscal Year		
2019	$	371,463
2020		406,840
2021		406,840
2022		406,840
2023		406,840
2024-2028		2,298,647
2029-2033		2,643,444
2034-2038		3,039,960
2039-2043		3,093,765
2044-2048		3,093,765
2049-2053		3,093,765
2054-2058		3,093,765
2059-2062		1,959,385
Total	$	24,315,319

NOTE 10 - COMMITMENTS AND CONTINGENCIES, continued

Construction Commitments

As of June 30, 2018, the District has approximately $9.0 million in outstanding encumbered commitments on construction contracts.

NOTE 11 - JOINT POWERS AGREEMENTS

The District is a participant in public entity risk pool joint powers agreements (JPAs). The District is a member of Bay Area Community Colleges Districts JPA (BACCD) and Northern California Community College Pool (NCCCP). The District pays annual premiums for property and liability and workers' compensation coverage commensurate with the level of coverage requested. There have been no significant reductions in insurance coverage from coverage in the prior year. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The JPAs are governed by boards consisting of representatives from member districts. The boards control the operations of the JPAs, including the selection of management and approval of operating budgets, independent of any influence by the member district beyond their representation on the governing board.

Member districts share surpluses and deficits proportionate to their participation in the JPAs. The JPAs are independently accountable for their fiscal matters and maintain their own accounting records. Budgets are not subject to any approval other than that of the governing board.

The relationship between San José/Evergreen Community College District and the joint powers authorities is such that the JPAs are not component units of the District for financial reporting purposes.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The beginning net position decreased by $31,781,567. This was due to adjustments made to bring on the net OPEB liabilities following the District’s implementation of GASB Statements No. 75 during the year ended June 30, 2018. See Note 1, Summary of Significant Accounting Policies, Change in Accounting Principles for further details on the implementation of GASB Statements No. 75.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		2018
Total OPEB liability		
Service cost	$	115,771
Interest on Total OPEB Liability		2,596,426
Benefit payments		(4,152,914)
Net change in total OPEB liability		(1,440,717)
Total OPEB liability, beginning of year		36,579,706
Total OPEB liability, end of year (a)	$	35,138,989
Plan fiduciary net position		
Net investment income	$	5,815,202
Administrative expense		(224,967)
Benefit payments		(4,152,914)
Change in plan fiduciary net position		1,437,321
Fiduciary trust net position, beginning of year		44,289,479
Fiduciary trust net position, end of year (b)	$	45,726,800
Net OPEB liability(asset), ending (a) - (b)	$	(10,587,811)
Covered payroll	$	35,025,000
Plan fiduciary net position as a percentage of the total OPEB liability(asset)		130.13%
Net OPEB liability(asset) as a percentage of covered payroll		-30.23%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CalSTRS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.072%	0.065%	0.086%	0.072%
District's proportionate share of the net pension liability	$ 66,746,495	$ 52,429,400	$ 57,846,104	$ 42,112,000
State's proportionate share of the net penesion liability associated with the District	39,486,984	29,851,517	30,594,131	25,268,362
Total	$ 106,233,479	$ 82,280,917	$ 88,440,235	$ 67,380,362
District's covered - employee payroll	$ 41,560,859	$ 55,036,542	$ 61,406,589	$ 32,097,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	160.60%	95.26%	214.00%	131.00%
Plan fiduciary net position as a percentage of the total pension liability	69.00%	70.04%	74.00%	77.00%

CalPERS	**2018**	**2017**	**2016**	**2015**
District's proportion of the net pension liability	0.212%	0.203%	0.200%	0.187%
District's proportionate share of the net pension liability	$ 50,588,670	$ 40,024,330	$ 29,463,496	$ 22,140,000
District's covered - employee payroll	$ 34,411,706	$ 27,232,628	$ 24,615,273	$ 20,472,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	147.01%	146.97%	119.70%	108.15%
Plan fiduciary net position as a percentage of the total pension liability	71.90%	73.90%	79.40%	83.44%

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Reporting Fiscal Year			
CalSTRS	2018	2017	2016	2015
Statutorily required contribution	$ 5,997,232	$ 6,923,597	$ 6,588,927	$ 3,070,323
District's contributions in relation to the statutorily required contribution	5,997,232	6,923,597	6,588,927	3,070,323
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 41,560,859	$ 55,036,542	$ 61,406,589	$ 32,097,000
District's contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	9.57%

	Reporting Fiscal Year			
CalPERS	2018	2017	2016	2015
Statutorily required contribution	$ 4,779,786	$ 3,782,612	$ 2,900,278	$ 2,611,383
District's contributions in relation to the statutorily required contribution	4,779,786	3,782,612	2,900,278	2,611,383
District's contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 34,411,706	$ 27,232,628	24,615,273	20,472,000
District's contributions as a percentage of covered-employee payroll	13.89%	13.89%	11.78%	12.76%

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Changes in the Net OPEB Liability and Related Ratios

The Schedule of Changes in Net OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

San José/Evergreen Community College District was established on July 1, 1964, and is comprised of an area of approximately 303 square miles in Santa Clara County, California. There were no changes in the boundaries of the District during the current year. The District's two colleges are each accredited by the Western Association of Schools and Colleges.

The Board of Trustees and Administration for the fiscal year ended June 30, 2018 were composed of the following members:

BOARD OF TRUSTEES

MEMBERS	OFFICE	TERM EXPIRES
Ms. Mayra Cruz	President	December 2020
Dr. Jeffrey Lease	Vice President	December 2018
Mr. Craig Mann	Member	December 2020
Ms. Huong H. Nguyen	Member	December 2018
Mr. Scott Pham	Member	December 2018
Ms. Wendy Ho	Member	December 2020
Mr. Rudy Nasol	Member	December 2020

DISTRICT ADMINISTRATION

Dr. Deborah Budd
Chancellor

Mr. Douglas R. Smith
Vice Chancellor, Administrative Services

Ms. Kim Garcia
Vice Chancellor, Human Resources

Dr. Ben Seaberry
Vice Chancellor, Information Technology & Institutional Effectiveness

Dr. Byron Breland
President, San José City College

Mr. Keith Aytch
Interim President, Evergreen Valley College

Mr. Peter Fitzsimmons
Executive Director, Fiscal Services

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
COMBINING FUND BALANCE SHEET
JUNE 30, 2018

(UNAUDITED)

	General Fund - Unrestricted	General Fund - Restricted	Special Revenue Funds: Cafeteria Fund	Special Revenue Funds: Child Development Fund	Debt Service Funds: Bond Interest and Redemption Fund	Debt Service Funds: Other Debt Service Fund
ASSETS						
Cash and cash equivalents	$ 34,094,037	$ 12,001,404	$ 40,807	$ 15,560	$ 59,229,533	$ (209,294)
Accounts receivable	7,725,603	2,159,312	-	-	205,620	-
Prepaid expenses	133,519	1,301	-	-	-	228,079
Total Assets	41,953,159	14,162,017	40,807	15,560	59,435,153	18,785
LIABILITIES						
Accounts payable	10,224,204	18,621	-	15,560	-	-
Accrued expenses	9,114,916	31,813	504	-	-	-
Deferred revenue	4,799,018	13,911,258	-	-	-	-
Total Liabilities	24,138,138	13,961,692	504	15,560	-	-
FUND EQUITY						
Fund Balance	17,815,021	200,325	40,303	-	59,435,153	18,785
Total Fund Equity	17,815,021	200,325	40,303	-	59,435,153	18,785
Total Liabilities and Fund Equity	$ 41,953,159	$ 14,162,017	$ 40,807	$ 15,560	$ 59,435,153	$ 18,785

See accompanying notes to the supplementary information

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
COMBINING FUND BALANCE SHEET
JUNE 30, 2018

(UNAUDITED)

	Capital Project Funds				
	Capital Outlay Projects Fund	2010 General Obligation Bond Fund	Measure X Fund	Financial Aid Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 6,130,551	$ 48,746,748	$ 82,568,924	$ (150,401)	$ 242,467,869
Accounts receivable	-	348,996	728,181	164,024	11,331,736
Prepaid expenses	23,191	-	-	-	386,090
Total Assets	6,153,742	49,095,744	83,297,105	13,623	254,185,695
LIABILITIES					
Accounts Payable	-	-	-	12,370	10,270,755
Accrued Expenses	-	26	-	-	9,147,259
Deferred Revenue	840,080	-	-	1,253	19,551,609
Total Liabilities	840,080	26	-	13,623	38,969,623
FUND EQUITY					
Fund Balance	5,313,662	49,095,718	83,297,105	-	215,216,072
Total Fund Equity	5,313,662	49,095,718	83,297,105	-	215,216,072
Total Liabilities and Fund Equity	$ 6,153,742	$ 49,095,744	$ 83,297,105	$ 13,623	$ 254,185,695

See accompanying notes to the supplementary information

Total Fund Equity - District Funds Included in the Reporting Entity		$ 215,216,072
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	$ 70,914,741	
Depreciable capital assets	638,187,798	
Accumulated depreciation	(243,643,937)	465,458,602
Unmatured Interest		(5,385,806)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(117,335,165)
Compensated absences		(3,148,007)
Long-term debt		(616,835,583)
Deferred outflows and inflows of resources:		
Deferred loss on refunding		11,836,783
Deferred outflows of resources - pensions		37,546,945
Deferred inflows of resources - pensions		(21,501,911)
Deferred inflows of resources - OPEB		(2,126,130)
Net OPEB Asset		10,587,811
Net Position Reported Within the Statement of Net Position		$ (25,686,389)

See accompanying notes to the supplementary information

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER*	FEDERAL EXPENDITURES
U.S. Department of Education			
Direct			
Student Financial Assistance Cluster			
Federal Pell Grant Programs (PELL)	84.063	*	$ 18,510,170
Federal Pell Grant Program - Administrative Allowance	84.063	00127300/00127500/01182000/02241600	24,485
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	*	824,130
Federal College Work Study Program (FWS)	84.033	POO033A90065	734,068
Direct Loans	84.268	*	951,411
Subtotal Student Financial Aid Cluster			21,044,264
TRIO Cluster:			
Talent Search	84.044	*	356,627
Upward Bound	84.047	*	324,648
Subtotal TRIO Cluster			681,275
Title V, Higher Education - Institutional Aid	84.031		1,344,775
Passed through California Community Colleges Chancellor's Office:			
Career and Technical Education Program:			
VTEA	84.048A	*	385,773
Perkins Title I-C Reserve	84.243	*	83,184
Subtotal Career and Technical Education Program			468,957
Total U.S. Department of Education			23,539,271
U.S. Department of Health and Human Services			
Passed through Foundation for California Community Colleges:			
YESS - Independent Living Program	93.674	*	22,169
Passed through Yosemite Community College:			
Child Care and Development Improvement	93.575	15-15-4474	9,675
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	*	86,158
Total U.S. Department of Health and Human Services			118,002
U.S. Department of Labor			
Direct Program:			
Veterans' Administrative Reporting Fee	17.802	*	1,004
Silicon Valley High Tech Apprenticeship Initiative	17.285	*	30,900
Workforce Investment Act Cluster:			
Passed through City of San Jose:			
SEASSE	17.278	*	283,156
Passed through California Employment Development Department:			
Workforce Accelerator 4.0 - Technest	17.258	*	119,260
Subtotal Workforce Investment Act Cluster			402,416
Total U.S. Department of Labor			434,320
Total Federal Programs			$ 24,091,593

See accompanying notes to the supplementary information

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Revenues						
Program Title	Cash Received	Accounts Receivable	Prepaid Expenses	Accounts Payable	Deferred Revenue	Total Revenue	Total Program Expenditures
Adult Education Block Grant	$ 93,070	$ -	$ -	$ -	$ -	$ 93,070	$ 93,070
Adult Education Block Grant Yr 2	1,037,937	-	-	-	-	1,037,937	1,037,937
Adult Education Block Grant Yr3	1,490,633	-	-	-	(868,997)	621,636	621,636
Adult Education Planning	-	-	-	-		-	-
Apprenticeship	424,493	38,748	-	(270)	(82,534)	380,437	380,437
Basic Skills	398,001	-	-	-	(149,307)	248,694	248,694
CA Apprenticeship Initiative	-	36,603	-	-	-	36,603	36,603
CA College Completion Grant	144,500	-	-	-	(45,500)	99,000	99,000
CA College Promose Innovation	1,445,276	-	-	-	(884,137)	561,139	561,139
California Student Aid Commission /Cal Grant	1,427,570	2,926	-	(1,672)	(1,253)	1,427,571	1,427,571
CALWORKS County	313,169	13,011	-	(46)	-	326,134	326,134
CALWORKS State	474,279	-	-	(5,699)	-	468,580	468,580
Campus Safety & Sexual Assault	34,017	-	-	-	(33,372)	645	645
CARE	214,560	-	-	(3,296)	-	211,264	211,264
CTE Data Unlocked Init	70,264	-	-	-	(50,000)	20,264	20,264
CTE Enhancement Fund	-	-	-	-	(4,989)	-	-
CUHSD WIOA Title II AEFLA	24,999	62,552	-	-	-	87,551	87,551
Disabled Students Program	1,251,804	-	1,301	-	5,054	1,258,159	1,258,159
Eastside Alliance Career Path	94,196	22,895	-	-	-	117,091	117,091
Entrepre'ship Course Offering	16,015	-	-	(7,500)	(8,515)	-	-
Equal Employment Opportunity	94,970	-	-	-	(66,522)	28,448	28,448
Extended Opportunity Programs & Services	1,777,126	-	-	-	-	1,777,126	1,777,126
Financial Aid Administration Allowance (B-FAP)	730,735	-	-	(1,054)	-	729,681	729,681
Foster Care Education	-	-	-	(11)	-	-	-
FT Student Success (FTSSG)	702,714	-	-	-	(33,914)	668,800	668,800
Guided Pathways Allocation	401,183	-	-	-	(289,999)	111,184	111,184
Hunger Free Campus Support	25,782	-	-	-	(14,284)	11,498	11,498
IDRC 21st Century - Chabot	12,250	-	-	-	-	12,250	12,250
Innovation in Higher Education	2,000,000	-	-	-	(1,707,116)	292,884	292,884
Instructional Equipment	745,636	-	-	-	(382,716)	362,920	362,920
MetroEd Silicon Valley Career	25,349	59,848	-	-	-	85,197	85,197
Nursing Assessment & Ret	-	55,400	-	-	-	51,300	51,300
NURSING/Enrollment Growth	-	154,000	-	-	-	154,000	154,000
One Time Emerg Aid (Dreamer)	85,624	-	-	-	(46,237)	39,387	39,387
Restricted Lottery	1,094,530	-	-	-	(518,384)	576,146	576,146
Scheduled Maintenance	1,370,476	-	-	-	(810,496)	559,980	559,980
Sci, Tech, Eng, Math (STEM)	5,481	-	-	-	-	5,481	5,481
Self Employment Pathways (Gig)	-	5,000	-	-	-	5,000	5,000
Song-Brown RN Special Program	-	22,814	-	-	-	-	-
Strong Workforce Local Yr1	4,365,307	-	-	-	(2,527,775)	1,837,532	1,837,532
Strong Workforce Regional Yr1	613,637	-	-	-	(321,748)	291,889	291,889
Student Equity	1,814,175	-	-	-	(373,591)	1,440,584	1,440,584
Student Success and Support Program - Credit	2,889,290	-	-	-	(291,902)	2,597,388	2,597,388
Student Success and Support Program - Non-Credit	1,512	-	-	-	-	1,512	1,512
SVETP (SV Eng Tech PW)	7,768,483	-	-	-	(4,062,588)	3,705,895	3,705,895
Veteran Resource Center	22,033	-	-	-	(22,033)	-	-
Waste Water Training	17,663	-	-	-	(17,693)	(30)	(30)
Zero Textbook Cost Degree	94,247	34,813	-	-	-	129,060	129,060
General Child Care & Dev. Program	58,045	-	-	(58,045)	-	-	-
California State Preschool Program	130,133	-	-	(130,133)	-	-	-
Total State District Funding	$ 35,801,164	$ 508,610	$ 1,301	$ (207,726)	$ (13,610,548)	$ 22,470,887	$ 22,470,887

See accompanying notes to the supplementary information

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CATEGORIES	Reported Data	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit	14.64	-	14.64
2. Credit	1,027.72	-	1,027.72
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit	2.10	-	2.10
2. Credit	4.57	-	4.57
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,578.88	-	8,578.88
(b) Daily Census Contact Hours	645.29	-	645.29
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	180.37	-	180.37
(b) Credit	328.67	-	328.67
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	788.19	-	788.19
(b) Daily Census Contact Hours	342.61	-	342.61
D. Total FTES	11,913.04	-	11,913.04
F. Basic Skills Courses and Immigrant Education			
1. Credit	1,309.23	-	1,309.23
2. Noncredit	177.37	-	177.37
Total Basic Skills FTES	1,486.60	-	1,486.60

See accompanying notes to the supplementary information

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

There were no adjustments necessary to reconcile the funds of the District to the audited financial statements.

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ECS 84362 (50 PERCENT LAW) CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	16,565,080	-	16,565,080	16,505,502	-	16,505,502
Other	1300	21,320,970	-	21,320,970	21,443,361	-	21,443,361
Total Instructional Salaries		37,886,050	-	37,886,050	37,948,863	-	37,948,863
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	8,375,389	-	8,375,389
Other	1400	-	-	-	1,054,737	-	1,054,737
Total Non-Instructional Salaries		-	-	-	9,430,126	-	9,430,126
Total Academic Salaries		37,886,050	-	37,886,050	47,378,989	-	47,378,989
Classified Salaries							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	20,042,386	-	20,042,386
Other	2300	-	-	-	1,292,412	-	1,292,412
Total Non-Instructional Salaries		-	-	-	21,334,798	-	21,334,798
Instructional Aides							
Regular Status	2200	2,121,820	-	2,121,820	2,121,820	-	2,121,820
Other	2400	877,164	-	877,164	880,604	-	880,604
Total Instructional Aides		2,998,984	-	2,998,984	3,002,424	-	3,002,424
Total Classsified Salaries		2,998,984	-	2,998,984	24,337,222	-	24,337,222
Employee Benefits	3000	13,515,371	-	13,515,371	27,481,501	-	27,481,501
Supplies and Materials	4000	-	-	-	1,029,343	-	1,029,343
Other Operating Expenses	5000	295,264	-	295,264	11,162,054	-	11,162,054
Equipment Replacement	6420	-	-	-	5,990	-	5,990
Total Expenditures Prior to Exclusions		54,695,669	-	54,695,669	111,395,099	-	111,395,099
Exclusions							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Srvcs. Above Amount Collected	6441	-	-	-	113,921	-	113,921
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	-	-	-
Object to Exclude							
Rents and Leases	5060	-	-	-	424,389	-	424,389
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000						
Software	4100	-	-	-	1,498	-	1,498
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	22,126	-	22,126
Non-inst. Supplies & Materials	4400	-	-	-	1,005,718	-	1,005,718
Total Supplies and Materials		-	-	-	1,029,342	-	1,029,342
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000						
Library Books	6300	-	-	-	26,473	-	26,473
Equipment	6400						
Equipment - Additional	6410	-	-	-	393,568	-	393,568
Equipment - Replacement	6420	-	-	-	5,990	-	5,990
Total Equipment		-	-	-	399,558	-	399,558
Total Capital Outlay		-	-	-	426,031	-	426,031
Other Outgo	7000	-	-	-	92,549	-	92,549
Total Exclusions		$ -	$ -	$ -	$ 2,086,232	$ -	$ 2,086,232
Total for ECS 84362, 50% Law		$ 54,695,669	$ -	$ 54,695,669	$ 109,308,867	$ -	$ 109,308,867
Percent of CEE (Instructional Salary Cost/Total CEE)		50.04%	0.00%	50.04%	100.00%	0.00%	100.00%
50% of Current Expense of Education		$ -	$ -	$ -	$ 54,654,434	$ -	$ 54,654,434

See accompanying notes to the supplementary information

SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
DISTRICT PROP 30 EPA EXPENDITURE REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EPA Revenue	1,132,425

	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	
Activity Classification		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	Total
Instructional Activities	0100-5900	1,132,425	-	-	1,132,425
Total		1,132,425	-	-	1,132,425

See accompanying notes to the supplementary information

NOTE 1 - PURPOSE OF SCHEDULES

Combining Fund Balance Sheet

These statements report the financial position and operational results of the individual funds of the District and the reconciling adjusting entries under GASB. The information is presented at the request of District management and has been derived from audited information.

Reconciliation from Fund Balance to Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

Schedule of Expenditure of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of State Financial Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment

Full-time equivalent students is a measurement of the number of students attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to community college districts. This schedule provides information regarding the attendance of students based on various methods of accumulating attendance data.

Reconciliation of Annual Financial and Budget Report (CCFS-311) with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the CCFS-311 to the audited financial statements.

Reconciliation of the ECS 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

District Prop 30 EPA Expenditure Report

This schedule provides the District's summary of receipts and uses of the monies received through the EPA.

OTHER INDEPENDENT AUDITORS' REPORTS

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

The Board of Trustees
San José/Evergreen Community College District
San Jose, 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 San José/Evergreen Community College District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the San José/Evergreen Community College District's basic financial statements, and have issued our report thereon dated October 23, 2018.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies (Finding #2018-01 to 2018-03).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the San José/Evergreen 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.

CWDL, Certified Public Accountants

San Diego, California
October 23, 2018

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

The Board of Trustees
San José/Evergreen Community College District
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited San José/Evergreen Community College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San José/Evergreen Community College District's major federal programs for the year ended June 30, 2018. San José/Evergreen 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, San José/Evergreen 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, 2018.

Report on Internal Control Over Compliance

Management of San José/Evergreen 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 José/Evergreen 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San José/Evergreen 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
October 23, 2018

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
San José/Evergreen Community College District
San Jose, California

Report on State Compliance

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

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 José/Evergreen 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) 2017-18*, 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 that could have a direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about San José/Evergreen 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 José/Evergreen Community College District's compliance with those requirements.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the programs noted below that were audited for the year ended June 30, 2018.

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Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine San José/Evergreen 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 – Dual Enrollment (CCAP and Non-CCAP)
Section 428 – Student Equity
Section 429 – Student Success and Support Program (SSSP)
Section 430 – Scheduled Maintenance Program
Section 431 – Gann Limit Calculation
Section 435 – Open Enrollment
Section 439 – Proposition 39 Clean Energy
Section 440 – Intersession Extension Program
Section 444 – Apprenticeship Related and Supplemental Instruction (RSI) Funds
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 55 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) 2017-18*. Accordingly, this report is not suitable for any other purpose.

CWDL, Certified Public Accountants

San Diego, California
October 23, 2018

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SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program of Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Assistance Cluster
84.031	Title V, Higher Education - Institutional Aid

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for State programs:	Unmodified

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2018-01 – FORM 700 FILING

Finding: During our review of District Form 700s, we noted that that three (3) persons, required to file under the Fair Political Practices Commission (FPPC), did not have completed form 700s on file for the 2017-18 fiscal year by the required deadline.

- One executive staff did not complete form 700 filing by the due date of April 1st, 2018.
- One MSC member did not complete form 700 filing by the due date of April 1st, 2018.
- An employee recently promoted to an MSC role, should have a completed their form 700 filing no later than 30 days after the promotion date. The form was late as of February 28th 2018.

Per AP 2717, Conflict of Interest Code, the following pertains to Form 700s:

- Initial Statements - All designated employees employed by the agency on the effective date of this code, as originally adopted, promulgated and approved by the code reviewing body, shall file statements within 30 days after the effective date of this code. Thereafter, each person already in a position when it is designated by an amendment to this code shall file an initial statement within 30 days after the effective date of the amendment.
- Assuming Office Statements - All persons assuming designated positions after the effective date of this code shall file statements within 30 days after assuming the designated positions, or if subject to State Senate confirmation, 30 days after being nominated or appointed.
- Annual Statements - All designated employees shall file statements no later than April 1.
- Leaving Office Statements - All persons who leave designated positions shall file statements within 30 days after leaving office.

Recommendation: We recommend the District develop a monitoring system to ensure compliance with filing deadlines.

District Response: The District primarily relied upon the many email notifications sent to individual filers by the County's eDisclosure automated system. Since the District's Human Resources Department has record of the individuals in the positions required to file the Form 700 at any given time, effective FY2018-19 the administration of this program will transfer from the District's Chancellor's Office to the District's Human Resources Department. The Human Resources Department will monitor compliance to ensure that all filings are timely.

Section II – Financial Statement Findings, continued

2018-02 – CASH COLLECTIONS

Finding: In our detailed testing and walkthrough of the cash collection process at San Jose City College, we noted the following:

- For all employees who turn cash into the business office, a prenumbered receipt should be provided to evidence receipt of cash and establish a paper trail of all cash that is received at the campus business office. This process was done through approximately February 2018, but we noted in several departments including Cosmetology that no receipts have been provided subsequent to February 2018 through the current period.
- Monthly revenue/activity reports should be provided to all departments, allowing them the opportunity to reconcile their activity and third party systems to the revenue posted to their account through the business office.

Recommendation: We recommend the District implement a pre-numbered cash receipt log to monitor and track all activity, and provide all departments with a monthly cash receipt report.

District Response: A pre-numbered receipt will be provided to all employees/departments who turn cash into the business office and a monthly report will be generated by the business office and provided to all departments turning in cash illustrating the receipts so that they can reconcile their departmental records.

Section II – Financial Statement Findings, continued

2018-03 – HUMAN RESOURCES AND PAYROLL FOR ADJUNCT

Finding: While obtaining our understanding of controls over the HR and Payroll functions at each campus, we noted that the persons in-charge of this area at each campus within the Office of Academic Support have access to Colleague, including the ability to add new adjunct employees to the system and input the payroll for all employees. Typically, these functions would be separated by individuals with restricted access to certain portions of both the HR and Payroll screens.

Recommendation: We recommend that any employees hired under the District, including adjunct faculty, be entered into the HR system at the Human Resources department located at the District Office. This will prevent any issues of employees being added that have not been approved by the District. In addition, any changes to pay done at the campus level should have an exception report showing history.

District Response: The following corrective action plan has been accepted by the District Office, San Jose City College, Evergreen Valley College, and our external auditors'. Human Resources has been asked to evaluate its ability to implement the following corrective action plan.

The management of adjunct faculty including the on-boarding, scheduling, and payroll functions have historically been the responsibility of the colleges, except for the transmitting and generation of payroll checks, which has been managed by the District Office's Payroll Department.

The District Office's Human Resources Department has developed the suggested exception report, which will be reviewed and approved by the Campus Supervisor of Academic Affairs on a monthly basis effective the Spring 2019 Term.

Also, effective the Spring 2019 Term, the District will revise its roles and responsibilities to ensure that pertinent new-hire paperwork for newly-hired adjunct faculty is submitted from the campuses to the District Office's Human Resources Department to create the new employee record in Colleague to remedy the internal control deficiency identified.

Lastly, the District Office's Fiscal Services Office will work with Information Technology Support Services to disable campus personnel from having edit access to the mnemonic in Colleague that allows for the creation of an employee record; thereby, allowing only read-only access to campus personnel.

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the *Uniform Guidance* (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs identified during 2017-18.

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs identified during 2017-18.

There were no findings or questioned costs identified during 2016-17.