



December 3, 2023

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

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the San Jose/Evergreen Community College District (District) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by San Jose/Evergreen Community College District are described in Note 1 to the financial statements. The District implemented GASB Statement No. 96, which required recognition of the District's eligible software contracts as intangible right of use assets offset by the related liabilities. This entry was deemed immaterial for the fiscal year ended June 30, 2023. No other significant new accounting policies were adopted and the application of existing policies was not changed. We noted no transactions entered into by San Jose/Evergreen Community College District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the Net Pension Liabilities and OPEB Liability is based on actuary studies performed for the District and depreciation expense is based on capitalization policies. We evaluated the key factors and assumptions used to develop the OPEB liabilities and depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We noted no misstatements during the audit requiring correction.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representation*

We will request certain representations from management that are to be included in the management representation letter dated the date of the finalized audit report.

### *Management Consultations with Other Independent Accountant*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to San Jose/Evergreen Community College District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as San Jose/Evergreen Community College District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We note that there were no significant deficiencies or material weaknesses identified during the year. There were also a few observations which do not meet the criteria of audit findings, but which we include as remarks for the attention of the Governing Board.

Remark #1: Districts must expend a minimum of 50 percent of the Current Expense of Education (CEE) during each fiscal year for "Salaries of Classroom Instructors" per Education Code section 84362, commonly known as the 50 Percent Law. We note that for the year ended June 30, 2023, the District has a total Instructional Salary Cost amounting to 50.09% of the Current Expense of Education. We would recommend that the District monitor this closely to avoid stepping out of compliance with EC 84362.

Remark #2: At June 30, 2023, the District has a net account receivable balance of \$20.0 million, of which \$8.3 million relates to net student receivables. The District has analyzed the entire receivables balance and determined an allowance for bad debt pertaining to gross student receivables of \$9.9 million. We would recommend that the District continue to monitor student receivables closely to avoid any unexpected negative impacts to net position.

Remark # 3: The Net Position for the fiscal year 2022 amounted to \$47.8 million. In contrast, the Net Position for 2023 significantly increased to \$89.7 million, reflecting a growth of \$41.8 million. This notable increase can be attributed to the impact of deferred outflows and inflows associated with pension and Other Post-Employment Benefits (OPEB). Additionally, an influx of cash resulting from the issuance of new bonds, along with other financial activities, played a significant role in contributing to this overall growth.

*Other Matters*

We applied certain limited procedures to required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Restriction on Use*

This information is intended solely for the information and use of Board of Trustees and management of San Jose/Evergreen Community College District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



CWDL, Certified Public Accountants  
San Diego, California