

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**

**SAN JOSÉ, CALIFORNIA**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**



**COSSOLIAS | WILSON  
DOMINGUEZ | LEAVITT**  
CERTIFIED PUBLIC ACCOUNTANTS

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
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**JUNE 30, 2019**

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COSSOLIAS | WILSON  
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## 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, 2019, 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.

## **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, 2019, 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.

## **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 any assurance.

### *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.

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 22, 2019 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 22, 2019

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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.



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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.

	2019	2018	Change	2017	Change
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Total assets	\$ 712,265,751	\$ 730,232,108	\$ (17,966,357)	\$ 662,529,462	\$ 67,702,646
Deferred outflows of resources	49,275,396	49,383,728	(108,332)	34,143,901	15,239,827
<b>Total Assets and Deferred Outflows of Resources</b>	<b>761,541,147</b>	<b>779,615,836</b>	<b>(18,074,689)</b>	<b>696,673,363</b>	<b>82,942,473</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>					
Current liabilities	83,334,327	91,759,650	(8,425,323)	62,732,028	29,027,622
Non-current liabilities	657,636,446	689,914,534	(32,278,088)	622,882,421	67,032,113
Deferred inflows of resources	17,915,341	23,628,041	(5,712,700)	23,205,956	422,085
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>758,886,114</b>	<b>805,302,225</b>	<b>(46,416,111)</b>	<b>708,820,405</b>	<b>96,481,820</b>
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	61,411,891	39,225,474	22,186,417	45,343,335	(6,117,861)
Restricted	68,339,950	66,026,291	2,313,659	37,013,620	29,012,671
Unrestricted	(127,096,808)	(130,938,154)	3,841,346	(94,503,997)	(36,434,157)
<b>Total Net Position</b>	<b>\$ 2,655,033</b>	<b>\$ (25,686,389)</b>	<b>\$ 28,341,422</b>	<b>\$ (12,147,042)</b>	<b>\$ (13,539,347)</b>

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**June 30, 2019 Compared to June 30, 2018**

Cash and cash equivalents, inclusive of current and non-current assets, are invested primarily in the Santa Clara County investment pool. The decrease in cash balances from the prior year is primarily a result of the expenditure of the Measure G-2010 and Measure X - 2016 bond authorizations.

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 \$11.6 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 \$2.7 million from the previous year.

Accounts payable and other liabilities represent amounts owed for services and goods received by the District, during Fiscal Year 2018-19, for which payment would not be made until Fiscal Year 2019-20. 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, 2019 was \$.7 million less than at June 30, 2018.

Unearned revenues represent prepayments made to the District for which services have yet to be rendered. Approximately \$2.1 million of this amount represents cash received from the District's Strong Workforce grant, \$1.2 million from Restricted Lottery, \$1.1 million from the Innovation Higher Education Grant, \$.9 million from the Adult Education Block and CA College Promise Innovation Grants and \$3.7 million from other miscellaneous grants and categorical programs including SSSP, Student Equity, Apprenticeship, etc. The remaining balance of \$5 million relates to student tuition and registration fees received during Fiscal Year 2018-19 for the summer and fall terms of Fiscal Year 2019-20.

The District's long-term liabilities consist of the accumulated liability for compensated absences of approximately \$3.4 million; \$92 million for OPEB taxable bonds, \$125 million in net pension liability as a result of GASB 68, and \$437 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 \$60.96 million. These funds are not liquid resources that can be used to fund ongoing operations. The largest component is the unrestricted net position of \$(128) million which reflects the impact for the implementation of GASB Statement No. 68 (pensions) and creates a negative net position.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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.

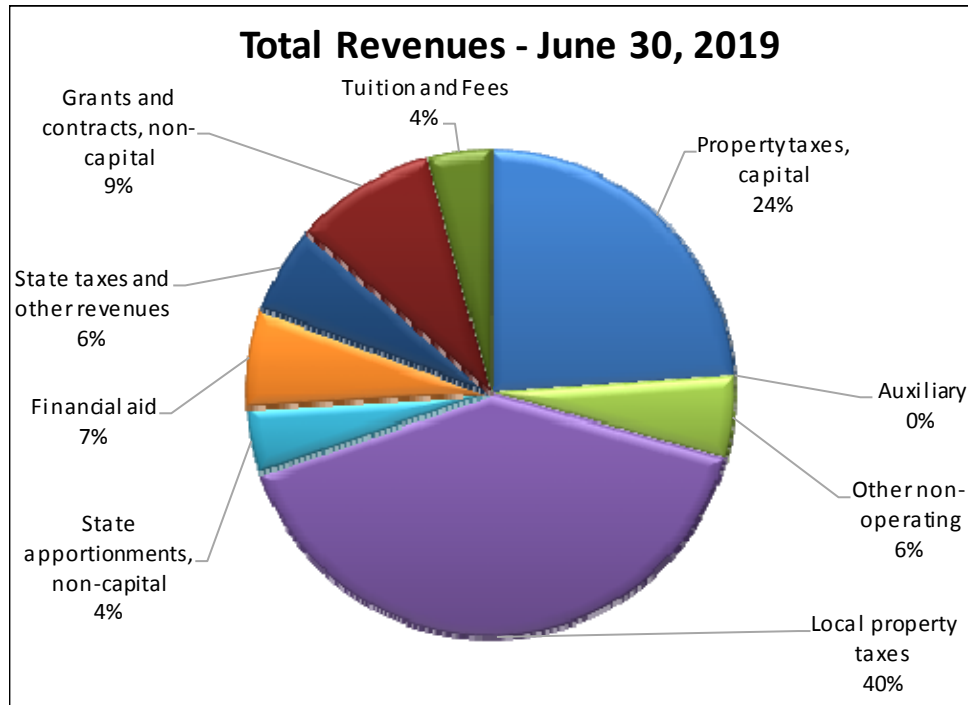
One component of the District's "Net Position" is the net investment in capital assets of approximately \$39.25 million. These funds are not liquid resources that can be used to fund ongoing operations. The largest component is the unrestricted net position of \$(130) million which reflects the impact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

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Total Revenues for the Fiscal Year Ended June 30, 2019**

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



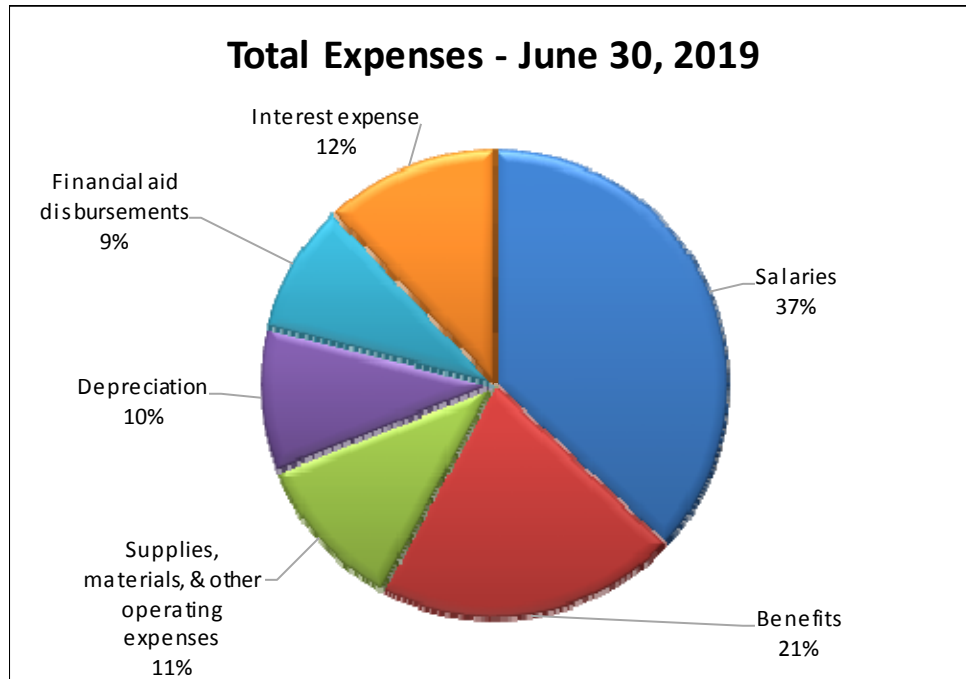
The largest component of the District's total revenue is the receipt of local property taxes, with 40% of total revenue coming from this source. This is followed by capital revenues, which comprise 24% of total revenue, and represents local property taxes state apportionments related to the District's 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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Total Expenses for the Fiscal Year Ended June 30, 2019**

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



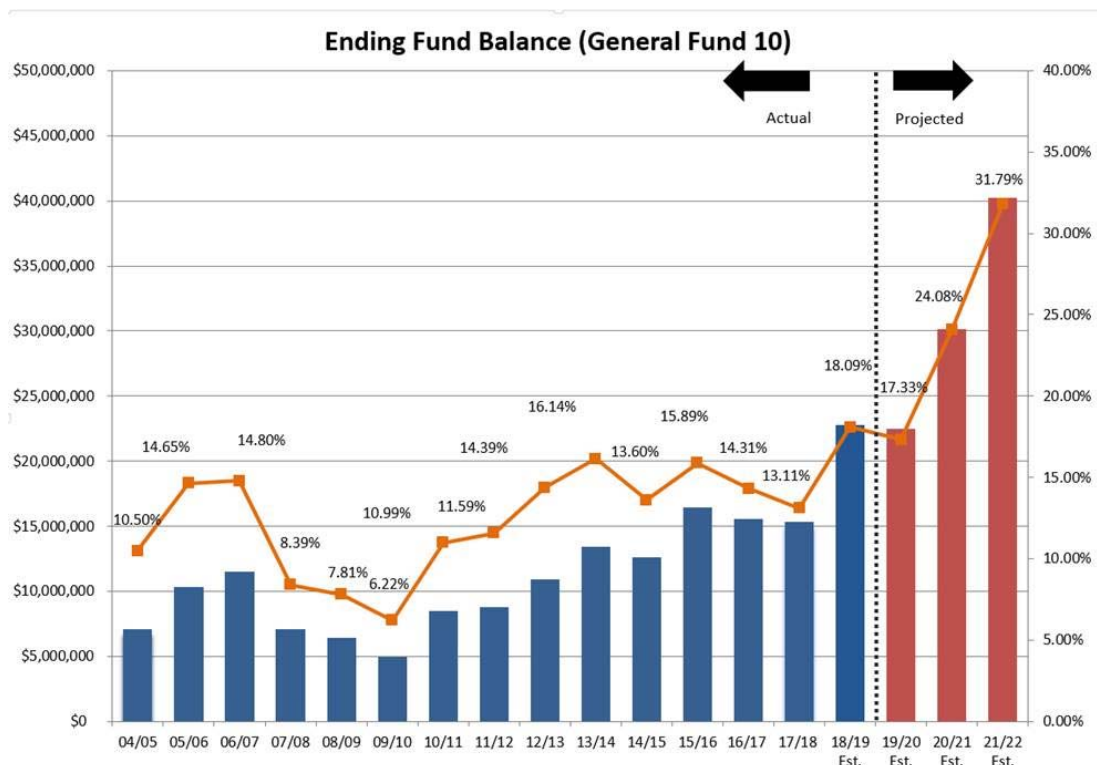
The largest component of the District's operating expense is the cost associated with employee salaries and benefits. Almost 58% of the total expense is spent for this purpose. "Supplies, materials, and other operating expenses" represent ongoing operating costs such as utilities and supplies. "Financial 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 74/75 Actuarial Valuation of Post Retirement Employee Benefits originally estimated at \$45.0 million and projected to be \$34.4 million dollars as of June 30, 2019. As of June 30, 2019, 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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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. The District ended Fiscal Year 18-19 with a General Fund Balance of \$22.7 million or 18.09%, primarily due to one-time revenues received in conjunction with RDA liquidations of \$5 million along with prudent expense management. As the District moves forward in budget planning for Fiscal Year 2019-2020 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 and continue to provide 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:



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**Economic Factors That May Affect the Future, continued**

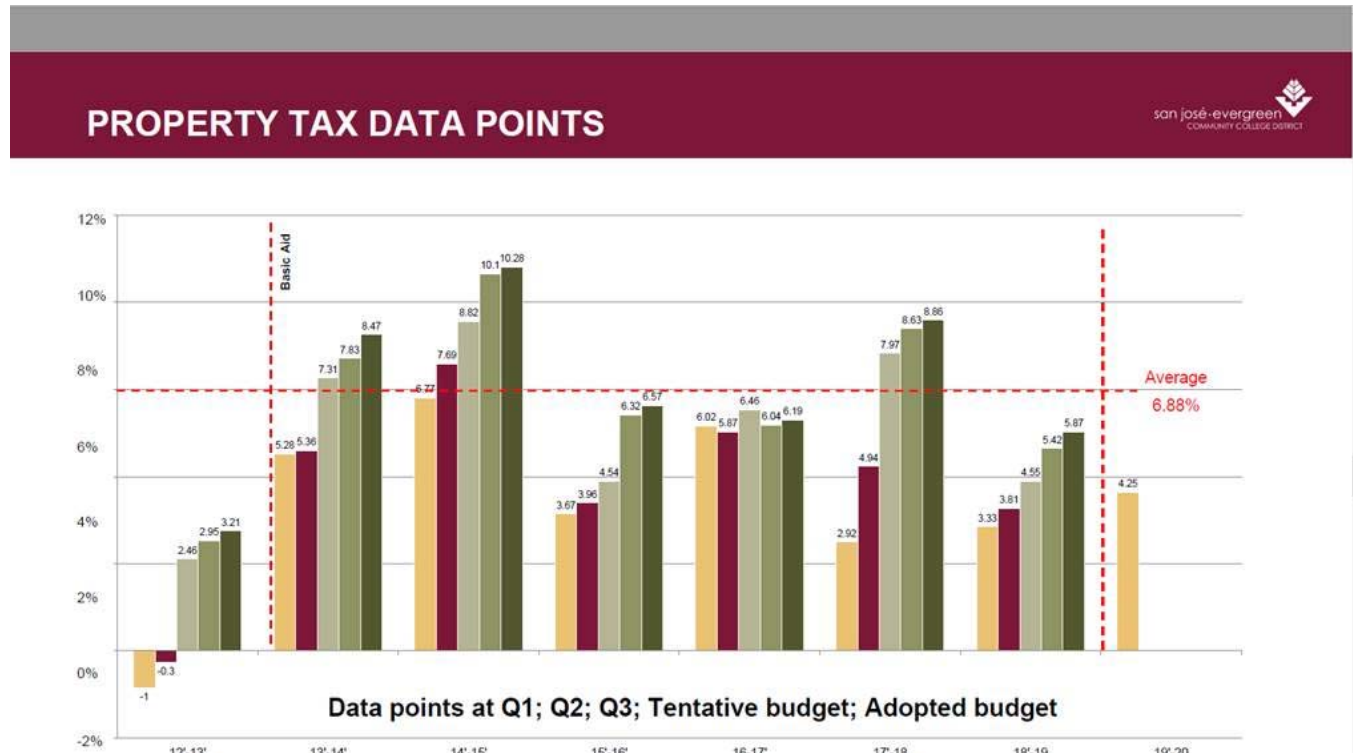
With the passage of Proposition 30 in November 2012 and a more robust economy, the fragility that the State budget had exhibited in the past has eased. The District is mindful that Proposition 30 is temporary; in that the sales tax increase sunset in 2016 and the income tax increase sunset in 2018 and 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 2019-2020 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 proposed imposition of the Cadillac Tax associated with the Affordable Healthcare Act effective Fiscal Year 2021-2022. To mitigate these cost increases, the District's believes that local property tax receipts will continue to exceed expectations due to the 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, 6.9% in Fiscal Year 2016-2017, 6.9% in Fiscal Year 2017-2018, 6.5% in Fiscal Year 2018-2019, and the roll-in-progress for Fiscal Year 2019-2020 indicates an increase of 7.6%. As a result of these increases and the dissolution of redevelopment agencies, the District realized an 8.47% increase in local property taxes (exclusive of one-time RDA liquidations) in Fiscal Year 2013-2014, a 10.28% increase in Fiscal Year 2014-2015, a 6.57% increase in Fiscal Year 2015-2016, a 6.18% increase in Fiscal Year 2016-2017, an 8.86% increase in Fiscal Year 2017-2018, a 5.87% increase in Fiscal Year 2018-2019. and is currently estimated to receive an increase of 3.25% in Fiscal Year 2019-2020; however, will likely end higher than 3.25% 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 wind 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.

# SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

## 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 2018-19: 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. For Measure X, we expect four major capital projects will go through the design phase within the next 18 months. In the meantime, architectural programming efforts are underway for the Student Services Building at Evergreen Valley College and the Career Education 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/>.



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## **FINANCIAL SECTION**

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**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$	199,148,844
Accounts receivable, net		11,614,635
Prepaid expenditures and other assets		1,264,047
Total Current Assets		<u>212,027,526</u>

Noncurrent Assets:

Restricted cash and cash equivalents		21,437,214
Prepaid OPEB asset		10,596,307
Capital assets, net		468,204,704
Total Noncurrent Assets		<u>500,238,225</u>

**TOTAL ASSETS**

712,265,751

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred loss on refunding		10,850,357
Deferred outflows - pensions		36,844,198
Deferred outflows - OPEB		<u>1,580,841</u>

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

\$ 761,541,147

**LIABILITIES**

Current Liabilities:

Accounts payable and accrued expenses	\$	24,113,066
Unearned revenue		14,047,380
Long-Term Debt, Current Portion		45,173,881
Total Current Liabilities		<u>83,334,327</u>

Noncurrent Liabilities:

Compensated absences		3,432,983
Net pension liability		124,586,122
Long-Term Debt - Non-Current Portion		529,617,341
Total Noncurrent Liabilities		<u>657,636,446</u>

**TOTAL LIABILITIES**

740,970,773

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows - pensions		15,719,258
Deferred inflows - OPEB		<u>2,196,083</u>

**NET POSITION**

Net investment in capital assets		61,411,891
Restricted for:		
Debt Service		59,831,943
Capital Projects		7,838,299
Educational Programs		669,708

Unrestricted (127,096,808)

**TOTAL NET POSITION**

2,655,033

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION**

\$ 761,541,147

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**OPERATING REVENUES**

Tuition and fees (gross)	\$ 19,343,564
Less: Scholarship discounts and allowances	(8,243,499)
Net tuition and fees	<u>11,100,065</u>
Grants and contracts, noncapital:	
Federal	5,046,880
State	17,653,419
Local	1,965,955
Auxiliary enterprise sales, net	<u>73,420</u>
<b>TOTAL OPERATING REVENUES</b>	<u>35,839,739</u>

**OPERATING EXPENSES**

Salaries	88,448,690
Employee benefits	49,105,093
Supplies, materials, and other operating expenses and services	26,748,676
Student aid	20,402,884
Depreciation	<u>23,728,486</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>208,433,829</u>

**OPERATING INCOME (LOSS)**

(172,594,090)

**NON-OPERATING REVENUES (EXPENSES)**

State apportionments, noncapital	11,557,783
Local property taxes	107,500,564
State taxes and other revenues	15,686,095
Pell grants	17,495,829
Investment income	1,626,742
Interest expense on capital asset-related debt	(29,637,045)
Transfer from trust fund	3,381,453
Other non-operating revenues	<u>9,625,072</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>137,236,493</u>

**INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES**

(35,357,597)

State apportionments, capital	308,223
Local property taxes and revenues, capital	<u>63,390,796</u>

**INCREASE (DECREASE) IN NET POSITION**

28,341,422

**NET POSITION -- BEGINNING OF YEAR**

(25,686,389)

**NET POSITION -- END OF YEAR**

\$ 2,655,033

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 11,100,065
Grants and contracts	19,181,234
Payments to or on behalf of employees	(135,388,925)
Payments to vendors for supplies and services	(25,178,910)
Payment to students	(20,002,245)
Other receipts	73,420
Net Cash Used In Operating Activities	<u>(150,215,361)</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State apportionments	11,557,783
Grants and contracts, non-capital	17,495,829
Property taxes	107,500,564
State taxes and other revenues	15,686,095
Other non-operating	13,006,525
Net Cash Provided by Non-Capital Financing Activities	<u>165,246,796</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(26,474,588)
Proceeds from debt issuance	-
State revenue, capital projects	308,223
Local revenue, capital	63,390,796
Principal paid on capital debt	(42,860,000)
Interest paid on capital debt	(32,904,419)
Net Cash Used In Capital Financing Activities	<u>(38,539,988)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income	<u>1,626,742</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,626,742</u>

<b>NET DECREASE IN CASH &amp; CASH EQUIVALENTS</b>	(21,881,811)
<b>CASH &amp; CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>242,467,869</u>
<b>CASH &amp; CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 220,586,058</u>

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Operating loss	\$ (172,594,090)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation expense	23,728,486
Changes in Assets and Liabilities:	
Receivables, net	(282,899)
Prepaid items	(877,957)
Net OPEB Asset	(8,496)
Deferred outflows of resources	(878,094)
Accounts payable and accrued liabilities	2,447,723
Deferred revenue	(5,504,229)
Compensated absences	284,976
Other long-term liabilities	1,930,962
Net pension liability	7,250,957
Deferred inflows of resources	(5,712,700)
Total Adjustments	<u>22,378,729</u>
<b>Net Cash Flows From Operating Activities</b>	<b><u>\$ (150,215,361)</u></b>

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2019**

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	OPEB	
	Irrevocable	
	Trust	Agency
	Fund	Fund
	<hr/>	
ASSETS		
Investments	\$ 44,720,184	\$ -
Accounts receivable	-	32,476
	<hr/>	
Total Assets	44,720,184	32,476
	<hr/>	
LIABILITIES		
Deferred Revenue	-	29,632
	<hr/>	
Total Liabilities	-	32,477
	<hr/>	
NET POSITION		
Held in Trust	44,720,184	(1)
	<hr/>	
Total Net Position Held in Trust	\$ 44,720,184	\$ (1)

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	<b>OPEB Irrevocable Trust Fund</b>
<b>ADDITIONS</b>	
Net investment income	\$ 2,105,381
Contributions	998,283
<b>Total Additions</b>	<u>3,103,664</u>
<b>DEDUCTIONS</b>	
Retiree benefits	<u>3,381,453</u>
<b>Total Deductions</b>	<u>3,381,453</u>
<b>Excess deductions over additions</b>	(277,789)
<b>NET POSITION HELD IN TRUST</b>	
<b>Beginning of Year</b>	<u>44,997,973</u>
<b>End of Year</b>	<u>\$ 44,720,184</u>

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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.



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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 \$2,840,938 for the year ended June 30, 2019.

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.

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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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, 2019, 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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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.

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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

New Accounting Pronouncements, continued

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the District.

GASB Statement No. 83 – Certain Asset Retirement Obligations. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations. The Statement is effective for periods beginning after June 15, 2018.

GASB 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. The Statement is effective for periods beginning after December 15, 2018.

GASB 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. The Statement is effective for periods beginning after December 15, 2019.

GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities government should include when disclosing information related to debt. The Statement is effective for periods beginning after June 15, 2018.

GASB Statement No. 90 – Accounting for Interest Cost Incurred before the End of a Construction Period. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 2 - CASH AND INVESTMENTS**

District cash and investments at June 30, 2019, consisted of the following:

	Primary Government
Cash in county treasury	\$ 138,577,401
Cash on hand and in banks	1,233,752
Cash with fiscal agent	80,774,905
Total Deposits and Investments	<u>\$ 220,586,058</u>
	Fiduciary Funds
Investments	<u>\$ 44,720,184</u>
Total Deposits and Investments	<u>\$ 44,720,184</u>

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, 2019.

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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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, 2019, the carrying amount of the District and Fiduciary cash accounts held in banks was \$1,233,752, of which \$250,000 was insured.

Cash with Fiscal Agent

Cash with Fiscal Agent of \$80,774,905 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, 2019, 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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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, 2019, 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, 2019, 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, 2019 are as follows:

Mutual funds:	
Common stocks	\$ 26,303,685
Fixed income	16,514,223
Real estate	1,902,276
Total investments	<u>\$ 44,720,184</u>

During the fiscal year ended June 30, 2019, 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	\$ 387,789
Realized gains	73,626
Dividend and other income	1,866,246
Investment fees	(222,280)
Total investment gains	<u>\$ 2,105,381</u>

**NOTE 3 - RECEIVABLES**



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Receivables at June 30, 2019 totaled \$11,614,635. Significant components of the balance include \$6,570,794 in student receivables and \$5,043,841 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, 2018	Additions	Deductions	Ending Balance June 30, 2019
Capital Assets not being Depreciated				
Land	\$ 3,441,983	\$ -	\$ -	\$ 3,441,983
Construction in progress	67,472,758	20,378,180	41,653,862	46,197,076
Total Capital Assets not being Depreciated	70,914,741	20,378,180	41,653,862	49,639,059
Capital Assets being Depreciated				
Land improvements	88,655,449	6,747,629	-	95,403,078
Buildings & improvements	504,264,259	35,353,365	-	539,617,624
Furniture and Equipment	45,268,090	5,649,276	-	50,917,366
Total Capital Assets being Depreciated	638,187,798	47,750,270	-	685,938,068
Total Capital Assets	709,102,539	68,128,450	41,653,862	735,577,127
Less Accumulated Depreciation				
Land improvements	56,032,193	5,570,740	-	61,602,933
Buildings & improvements	158,557,255	12,390,777	-	170,948,032
Furniture and Equipment	29,054,489	5,766,969	-	34,821,458
Total Accumulated Depreciation	243,643,937	23,728,486	-	267,372,423
Net Capital Assets	\$ 465,458,602	\$ 44,399,964	\$ 41,653,862	\$ 468,204,704

**NOTE 5 - UNEARNED REVENUE**

Unearned revenue for the District consisted of the following:

State financial awards	\$ 8,735,008
Enrollment fees	5,023,910
Other local revenue	288,462
Total unearned revenue	<u>\$ 14,047,380</u>

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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
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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	-	-
2030-2033	10,609,605	27,725,395	38,335,000
Total	\$ 10,609,605	\$ 27,725,395	\$ 38,335,000

**2004 Series C General Obligation Bonds**

Fiscal Year	Principal	Interest	Total
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	1,370,000	1,041,738	2,411,738
2025-2029	9,395,000	4,060,935	13,455,935
2030-2033	11,565,000	1,212,830	12,777,830
Total	\$ 25,490,000	\$ 10,915,355	\$ 36,405,355

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%.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 6 - LONG TERM LIABILITIES, continued**

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

<b>OPEB Taxable Bonds</b>			
Fiscal Year	Principal	Interest	Total
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	305,000	2,460,566	2,765,566
2025-2029	3,275,000	11,917,487	15,192,487
2030-2034	7,250,000	10,588,301	17,838,301
2035-2039	13,570,000	7,918,149	21,488,149
2040-2044	22,840,000	3,218,725	26,058,725
Total	\$ 47,450,000	\$ 46,008,568	\$ 93,458,568

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:

<b>2010 Series A General Obligation Bonds</b>			
Fiscal Year	Principal	Interest	Total
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	-	2,221,944	2,221,944
2025-2029	685,000	11,082,828	11,767,828
2030-2034	5,655,000	10,552,875	16,207,875
2035-2039	21,495,000	7,097,850	28,592,850
2040-2042	18,490,000	1,342,775	19,832,775
Total	\$ 46,325,000	\$ 41,186,048	\$ 87,511,048

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 6 - LONG TERM LIABILITIES, continued**

**2010 Series B General Obligation Bonds**

Fiscal Year	Principal	Interest	Total
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	845,000	606,150	1,451,150
2025-2029	6,415,000	2,349,275	8,764,275
2030-2033	7,550,000	690,000	8,240,000
Total	\$ 16,680,000	\$ 6,315,625	\$ 22,995,625

**2010 Series C General Obligation Bonds**

Fiscal Year	Principal	Interest	Total
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	1,295,000	4,776,994	6,071,994
2025-2029	10,560,000	22,551,094	33,111,094
2030-2034	19,345,000	18,870,470	38,215,470
2035-2039	31,135,000	13,043,167	44,178,167
2040-2044	46,000,000	5,039,434	51,039,434
Total	\$ 111,480,000	\$ 83,774,610	\$ 195,254,610

**2010 Series D General Obligation Bonds**

Fiscal Year	Principal	Interest	Total
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	1,440,000	1,628,131	3,068,131
2025-2029	10,370,000	6,938,255	17,308,255
2030-2034	16,735,000	4,544,391	21,279,391
2035-2038	19,585,000	1,275,328	20,860,328
Total	\$ 52,995,000	\$ 21,497,154	\$ 74,492,154

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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
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	4,645,000	2,200,875	6,845,875
2025-2029	32,740,000	6,691,250	39,431,250
2030	8,955,000	223,875	9,178,875
Total	\$ 50,850,000	\$ 19,124,500	\$ 69,974,500

**2014 Refunding Bond Series B**

Fiscal Year	Principal	Interest	Total
2020	\$ 7,455,000	\$ 186,375	\$ 7,641,375
Total	\$ 7,455,000	\$ 186,375	\$ 7,641,375

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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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:

<b>2015 Refunding Bonds</b>			
Fiscal Year	Principal	Interest	Total
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	11,995,000	2,022,375	14,017,375
2025-2029	37,165,000	3,160,450	40,325,450
2030	1,520,000	26,600	1,546,600
Total	\$ 80,100,000	\$ 18,048,050	\$ 98,148,050

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:

<b>2016 Series A General Obligation Bonds</b>			
Fiscal Year	Principal	Interest	Total
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	565,000	988,194	1,553,194
2025-2029	4,105,000	4,436,620	8,541,620
2030-2034	6,650,000	3,361,776	10,011,776
2035-2039	14,785,000	1,465,221	16,250,221
Total	\$ 33,825,000	\$ 14,513,787	\$ 48,338,787

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 6 - LONG TERM LIABILITIES, continued**

**2016 Series A General Obligation Bonds**

Fiscal Year	Principal	Interest	Total
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	300,000	237,180	537,180
2025-2029	2,120,000	916,636	3,036,636
2030-2034	3,345,000	367,390	3,712,390
Total	\$ 27,055,000	\$ 2,868,719	\$ 29,923,719

Change in Long-Term Liabilities:

A schedule of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Balance July 01, 2018	Adjustments	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds						
General obligation bonds	\$ 556,975,600	\$ -	\$ -	\$ 42,860,000	\$ 514,115,600	\$ 40,629,660
Unamortized premium	36,687,907	-	-	4,544,221	32,143,686	4,544,221
Accreted interest	23,172,076	-	3,428,898	-	26,600,974	-
Total general obligation bonds	616,835,583	-	3,428,898	47,404,221	572,860,260	45,173,881
Other Long-Term Liabilities						
Compensated absences	3,148,007		284,976	-	3,432,983	-
Banked overload	-	1,930,962	-	-	1,930,962	-
Total other long-term liabilities	3,148,007	1,930,962	284,976	-	5,363,945	-
Total Long-Term Obligations	\$ 619,983,590	\$ 1,930,962	\$ 3,713,874	\$ 47,404,221	\$ 578,224,205	\$ 45,173,881

**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.



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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	\$ 66,670,574	\$ 19,917,249	\$ 15,719,258	\$ 3,570,365
CalPERS	57,915,548	16,926,949	-	11,426,671
Total	\$ 124,586,122	\$ 36,844,198	\$ 15,719,258	\$ 14,997,036

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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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, 2019, 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%	6.500%
Required employer contribution rate	18.06%	18.06%

*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, 2019, are presented above and the total District contributions were \$5,936,412.

*On-Behalf Payments* - The District was the recipient of on-behalf payments made by the State of California to CalPERS for community college education. These payments consist of State general fund contributions of approximately \$1,963,578 to CalPERS.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$57,915,548. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively was 0.217 percent and 0.212 percent, resulting in a net increase in the proportionate share of 0.005 percent.

**NOTE 8 - NET PENSION LIABILITY, continued**

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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, 2019, the District recognized pension expense of \$11,426,671. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ 475,037	\$ -
Differences between expected and actual experience	3,796,732	-
Changes in assumptions	5,782,612	-
Net changes in proportionate share of net pension liability	936,156	-
District contributions subsequent to the measurement date	5,936,412	-
Total	<u>\$ 16,926,949</u>	<u>\$ -</u>

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	\$ 6,334,573
2020	4,819,395
2021	159,233
2022	(322,664)
	<u>\$ 10,990,537</u>

*Actuarial assumptions* – For the measurement period ended June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997, through June 30, 2011
Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

**NOTE 8 - NET PENSION LIABILITY, continued**

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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:

<b>Asset Class*</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 - 10**</b>	<b>Real Return Years 11+***</b>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
	<u>100%</u>		

\*In the System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term

\*\*An expected inflation of 2.0% used for this period

\*\*\*An expected inflation of 2.92% 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**

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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	\$ 84,322,267	\$ 57,915,548	\$ 36,007,392

*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**

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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, 2019 are summarized as follows:

	STRP Defined Benefit Plan	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	16.28%	16.28%
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

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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, 2019, are presented above and the District's total contributions were \$6,889,573.

*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 \$3,523,607 to CalSTRS.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State's share:

District's proportionate share of the net pension liability	\$ 66,670,574
State's proportionate share of the net pension liability associated with the District	<u>38,173,857</u>
Total	<u>\$ 106,233,479</u>

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.073 percent and 0.072 percent, resulting in a net increase in the proportionate share of 0.001 percent.

**NOTE 8 - NET PENSION LIABILITY, continued**

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

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

For the year ended June 30, 2019, the District recognized pension expense of \$3,570,365. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on plan investments	\$ -	\$ 2,566,660
Differences between expected and actual experience	206,745	967,495
Changes in assumptions	10,356,830	-
Net changes in proportionate share of net pension liability	2,464,101	12,185,103
District contributions subsequent to the measurement date	6,889,573	-
Total	\$ 19,917,249	\$ 15,719,258

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	\$ (1,877,060)
2020	(2,838,958)
2021	(1,173,715)
2022	1,104,918
2023	2,102,974
Thereafter	(9,741)
	<u>\$ (2,691,582)</u>

**NOTE 8 - NET PENSION LIABILITY, continued**

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



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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*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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010, through June 30, 2015
Actuarial cost method	Entry Age Normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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:

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
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%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
	<b>100%</b>	

\*20-year geometric average

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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	\$ 97,664,589	\$ 66,670,574	\$ 40,973,528

*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>.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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, 2019:

	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, 2019.

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	Long-Term Expected Real Rate of Return
Fixed Income	55%	2.75%
Domestic Equities	33%	5.50%
International Equities	8%	6.50%
Alternative Assets	4%	5.00%
Cash	0%	0.00%
Total	100%	

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS, continued**

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2019
Measurement date	June 30, 2018
Fiscal year	July 1st to June 30th
Actuarial cost methods	Entry age normal cost method
Inflation rate	2.75%
Investment rate of return	7.00%
Discount rate	7.00%
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	Total Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balance July 1, 2018	\$ 35,138,989	\$ 45,726,800	\$ (10,587,811)
Changes for the year:			
Service cost	124,454	-	124,454
Interest	2,475,240	-	2,475,240
Changes of assumptions	1,165,117	-	1,165,117
Net Investment income	-	4,003,226	(4,003,226)
Administrative expense	-	(229,919)	229,919
Expected benefit payments	(4,520,486)	(4,520,486)	-
Net change	(755,675)	(747,179)	(8,496)
Balance June 30, 2019	\$ 34,383,314	\$ 44,979,621	\$ (10,596,307)

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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)	\$ (8,033,980)	\$ (10,596,307)	\$ (12,857,275)

The following table presents the net OPEB liability calculated using the health 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):

	Trend Rate 1% Lower (5.50%)	Current Trend Rate (6.50%)	Trend Rate 1% Higher (7.50%)
Net OPEB liability(asset)	\$ (13,245,860)	\$ (10,596,307)	\$ (7,613,764)

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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS, continued**

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

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expense of \$(751,908). As of the year ended June 30, 2019, 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	\$ -	\$ (2,196,083)
Change in assumptions	582,558	-
District contributions subsequent to the measurement date	998,283	-
	<u>\$ 1,580,841</u>	<u>\$ (2,196,083)</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ (99,345)
2021	(681,903)
2022	(681,905)
2023	(150,372)
2024	-
Thereafter	-
	<u>\$ (1,613,525)</u>

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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 \$371,463 for the year ended June 30, 2019. Future minimum rental payments under this agreement as of June 30, 2019 are as follows:

Fiscal Year	
2020	\$ 406,840
2021	406,840
2022	406,840
2023	406,840
2024	427,182
2025-2029	2,362,728
2030-2034	2,717,133
2035-2039	3,093,765
2040-2044	3,093,765
2045-2049	3,093,765
2050-2054	3,093,765
2055-2059	3,093,765
2060-2062	1,340,632
Total	<u>\$ 23,943,860</u>

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**NOTE 10 - COMMITMENTS AND CONTINGENCIES, continued**

Construction Commitments

As of June 30, 2019, the District has approximately \$11.15 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.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	2019	2018
Total OPEB liability		
Service cost	\$ 124,454	\$ 115,771
Interest	2,475,240	2,596,426
Net change in total OPEB liability	(755,675)	(1,440,717)
Total OPEB liability, beginning of year	35,138,989	36,579,706
Total OPEB liability, end of year (a)	\$ 34,383,314	\$ 35,138,989
Plan fiduciary net position		
Service cost	\$ -	\$ -
Employee contributions	-	-
Assumption changes	-	-
Investment income	4,003,226	5,815,202
Investment gains/losses	-	-
Administrative expense	(229,919)	(224,967)
Expected benefit payments	(4,520,486)	(4,152,914)
Other	-	-
Change in plan fiduciary net position	(747,179)	1,437,321
Fiduciary trust net position, beginning of year	45,726,800	44,289,479
Fiduciary trust net position, end of year (b)	\$ 44,979,621	\$ 45,726,800
Net OPEB liability (asset), ending (a) - (b)	\$ (10,596,307)	\$ (10,587,811)
Covered payroll	\$ 35,025,000	\$ 35,025,000
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	131%	130%
Net OPEB asset as a percentage of covered payroll	-30%	-30%

*Note: In the future, as data becomes available, ten years of information will be presented.*

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS - OPEB**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	2019	2018
Actuarially determined contribution	\$ 3,557,370	\$ 4,717,951
Contributions in relations to the actuarially determined contribution	998,283	-
Contribution deficiency (excess)	<u>\$ 3,557,370</u>	<u>\$ 4,717,951</u>
Covered-employee payroll	\$ 35,025,000	\$ 35,025,000
Contribution as a percentage of covered-employee payroll	10.16%	13.47%

*Note: In the future, as data becomes available, ten years of information will be presented.*

**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, 2019**

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<b>CalSTRS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.073%	0.072%	0.065%	0.086%	0.072%
District's proportionate share of the net pension liability	\$ 66,670,574	\$ 66,746,495	\$ 52,429,400	\$ 57,846,104	\$ 42,112,000
State's proportionate share of the net pension liability associated with the District	38,173,857	39,486,984	29,851,517	30,594,131	25,268,362
Total	\$ 104,844,431	\$ 106,233,479	\$ 82,280,917	\$ 88,440,235	\$ 67,380,362
District's covered - employee payroll	\$ 42,319,244	\$ 41,560,859	\$ 55,036,542	\$ 26,985,380	\$ 32,097,000
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	157.54%	160.60%	95.26%	214.36%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	69.00%	70.04%	74.00%	76.50%
<b>CalPERS</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.217%	0.212%	0.203%	0.200%	0.187%
District's proportionate share of the net pension liability	\$ 57,915,548	\$ 50,588,670	\$ 40,024,330	\$ 29,463,496	\$ 22,140,000
District's covered - employee payroll	\$ 32,866,859	\$ 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	176.21%	147.01%	146.97%	119.70%	108.15%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.90%	73.90%	79.40%	83.44%

*Note: In the future, as data becomes available, ten years of information will be presented.*

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - PENSIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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<b>CalSTRS</b>	<b>Reporting Fiscal Year</b>				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 6,889,573	\$ 5,997,232	\$ 6,923,597	\$ 6,588,927	\$ 3,070,323
District's contributions in relation to the statutorily required contribution	6,889,573	5,997,232	6,923,597	6,588,927	3,070,323
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 42,319,244	\$ 41,560,859	\$ 55,036,542	\$ 61,406,589	\$ 32,097,000
District's contributions as a percentage of covered-employee payroll	16.28%	14.43%	12.58%	10.73%	9.57%

<b>CalPERS</b>	<b>Reporting Fiscal Year</b>				
	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 5,936,412	\$ 4,779,786	\$ 3,782,612	\$ 2,900,278	\$ 2,611,383
District's contributions in relation to the statutorily required contribution	5,936,412	4,779,786	3,782,612	2,900,278	2,611,383
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 32,866,859	\$ 34,411,706	\$ 27,232,628	24,615,273	20,472,000
District's contributions as a percentage of covered-employee payroll	18.06%	13.89%	13.89%	11.78%	12.76%

*Note: In the future, as data becomes available, ten years of information will be presented.*

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

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**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 Contributions – OPEB**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

**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 - Pensions**

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.

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## **SUPPLEMENTARY INFORMATION**

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**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
ORGANIZATION  
JUNE 30, 2019**

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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, 2019 were composed of the following members:

<b>BOARD OF TRUSTEES</b>		
<b>MEMBERS</b>	<b>OFFICE</b>	<b>TERM EXPIRES</b>
Dr. Jeffrey Lease	President	December 2022
Ms. Wendy Ho	Vice President	December 2020
Mr. Craig Mann	Member	December 2020
Ms. Maria Fuentes	Member	December 2022
Ms. Karen Martinez	Member	December 2022
Ms. Mayra Cruz	Member	December 2020
Mr. Rudy Nasol	Member	December 2020

**DISTRICT ADMINISTRATION**

Dr. Byron Breland  
*Chancellor*

Mr. Jorge Escobar  
*Interim Vice Chancellor, Administrative Services*

Ms. Beatriz Chaidez  
*Associate Vice Chancellor, Human Resources*

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

Mr. Roland Montemayor  
*Interim President, San José City College*

Mr. Keith Aytch  
*President, Evergreen Valley College*

Ms. Linda Wilczewski  
*Interim Executive Director, Fiscal Services*

See accompanying notes to the supplementary information



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**COMBINING FUND BALANCE SHEET**  
**JUNE 30, 2019**

**(UNAUDITED)**

			Special Revenue Funds		Debt Service Funds	
	General Fund - Unrestricted	General Fund - Restricted	Cafeteria Fund	Child Development Fund	Bond Interest and Redemption Fund	Other Debt Service Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 39,220,906	\$ 7,120,078	\$ 56,846	\$ 15,560	\$ 59,634,955	\$ (218,321)
Accounts receivable	7,935,436	2,624,878	-	-	196,988	-
Prepaid expenses	1,035,346	-	-	-	-	228,701
<b>Total Assets</b>	<b>48,191,688</b>	<b>9,744,956</b>	<b>56,846</b>	<b>15,560</b>	<b>59,831,943</b>	<b>10,380</b>
<b>LIABILITIES</b>						
Accounts payable	10,336,427	58,502	-	15,560	-	-
Accrued expenses	5,177,040	-	-	-	-	-
Deferred revenue	5,023,910	9,016,746	-	-	-	-
<b>Total Liabilities</b>	<b>22,468,339</b>	<b>9,075,248</b>	<b>-</b>	<b>15,560</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY</b>						
Fund Balance	25,723,349	669,708	56,846	-	59,831,943	10,380
<b>Total Fund Equity</b>	<b>25,723,349</b>	<b>669,708</b>	<b>56,846</b>	<b>-</b>	<b>59,831,943</b>	<b>10,380</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 48,191,688</b>	<b>\$ 9,744,956</b>	<b>\$ 56,846</b>	<b>\$ 15,560</b>	<b>\$ 59,831,943</b>	<b>\$ 10,380</b>

**(UNAUDITED)**

See accompanying notes to the supplementary information

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**COMBINING FUND BALANCE SHEET**  
**JUNE 30, 2019**

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	<b>Capital Project Funds</b>				<b>Total Governmental Funds</b>
	<b>Capital Outlay Projects Fund</b>	<b>2010 General Obligation Bond Fund</b>	<b>Measure X Fund</b>	<b>Financial Aid Fund</b>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,168,211	\$ 29,464,704	\$ 78,302,386	\$ (179,267)	\$ 220,586,058
Accounts receivable	-	210,344	459,744	187,245	11,614,635
Prepaid expenses	-	-	-	-	1,264,047
<b>Total Assets</b>	<b>7,168,211</b>	<b>29,675,048</b>	<b>78,762,130</b>	<b>7,978</b>	<b>233,464,740</b>
<b>LIABILITIES</b>					
Accounts Payable	-	-	-	1,254	10,411,743
Accrued Expenses	-	-	-	-	5,177,040
Deferred Revenue	-	-	-	6,724	14,047,380
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,978</b>	<b>31,567,125</b>
<b>FUND EQUITY</b>					
Fund Balance	7,168,211	29,675,048	78,762,130	-	201,897,615
<b>Total Fund Equity</b>	<b>7,168,211</b>	<b>29,675,048</b>	<b>78,762,130</b>	<b>-</b>	<b>201,897,615</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 7,168,211</b>	<b>\$ 29,675,048</b>	<b>\$ 78,762,130</b>	<b>\$ 7,978</b>	<b>\$ 233,464,740</b>

See accompanying notes to the supplementary information

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
RECONCILIATION FROM FUND BALANCE TO NET POSITION  
JUNE 30, 2019**

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<b>Total Fund Equity - District Funds Included in the Reporting Entity</b>		\$ 201,897,615
Assets recorded within the statements of net position not included in the District fund financial statements:		
Nondepreciable capital assets	\$ 49,639,059	
Depreciable capital assets	685,938,068	
Accumulated depreciation	<u>(267,372,423)</u>	468,204,704
Unmatured Interest		(8,524,283)
Liabilities recorded within the statements of net position not recorded in the District fund financial statements:		
Net pension liability		(124,586,122)
Compensated absences		(3,432,983)
Long-term debt		(572,860,260)
Deferred outflows and inflows of resources:		
Deferred loss on refunding		10,850,357
Deferred outflows of resources - pensions		36,844,198
Deferred outflows of resources - OPEB		1,580,841
Deferred inflows of resources - pensions		(15,719,258)
Deferred inflows of resources - OPEB		(2,196,083)
Net OPEB Asset		<u>10,596,307</u>
<b>Net Position Reported Within the Statement of Net Position</b>		<u>\$ 2,655,033</u>

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, 2019**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER*	FEDERAL EXPENDITURES
<b>U.S. Department of Education</b>			
Direct			
Student Financial Assistance Cluster			
Federal Pell Grant Programs (PELL)	84.063	*	\$ 17,473,064
Federal Pell Grant Program - Administrative Allowance	84.063	00127300/00127500/01182000/02241600	22,765
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	*	829,142
Federal College Work Study Program (FWS)	84.033	POO033A90065	567,779
Direct Loans	84.268	*	788,419
Subtotal Student Financial Aid Cluster			<u>19,681,169</u>
TRIO Cluster:			
Talent Search	84.044	*	417,433
Upward Bound	84.047	*	339,859
Subtotal TRIO Cluster			<u>757,292</u>
Title V, Higher Education - Institutional Aid	84.031		1,120,622
Passed through California Community Colleges Chancellor's Office:			
Career and Technical Education Program:			
VTEA	84.048A	*	349,541
Perkins Title I-C Reserve	84.243	*	82,754
Subtotal Career and Technical Education Program			<u>432,295</u>
Total U.S. Department of Education			<u>21,991,378</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Foundation for California Community Colleges:			
YESS - Independent Living Program	93.674	*	22,313
Passed through Yosemite Community College:			
Child Care and Development Improvement	93.575	15-15-4474	10,000
Passed through California Community Colleges Chancellor's Office:			
Temporary Assistance for Needy Families (TANF)	93.558	*	84,980
Total U.S. Department of Health and Human Services			<u>117,293</u>
<b>U.S. Department of Labor</b>			
Direct Program:			
Veterans' Administrative Reporting Fee	17.802	*	4,748
Silicon Valley High Tech Apprenticeship Initiative	17.285	*	34,500
Workforce Investment Act Cluster:			
Passed through City of San Jose:			
SEASSE	17.278	*	397,504
Passed through California Employment Development Department:			
Workforce Accelerator 4.0 - Technest	17.258	*	13,478
Subtotal Workforce Investment Act Cluster			<u>410,982</u>
Total U.S. Department of Labor			<u>450,230</u>
<b>U.S. Department of Agriculture</b>			
Direct Program:			
CalFresh (CSU Chico)	10.561	*	44,663
Total U.S. Department of Labor			<u>44,663</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
Passed through Regents of U.C. Santa Cruz			
NSF Alliance Yr1	47.076	*	28,736
Total National Science Foundation			<u>28,736</u>
Total Federal Programs			<u>\$ 22,632,300</u>

\*Pass-Through number is either not available or not applicable

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, 2019**

Program Title	Program Revenues					Total Program Expenditures
	Cash Received	Accounts Receivable	Accounts Payable	Deferred Revenue	Total Revenue	
Extended Opportunity Programs & Services	1,866,877	-	-	-	1,866,877	1,866,877
Disabled Students Program	1,342,494	-	-	-	1,342,494	1,342,494
Active Minds Chapter Launch	250	-	-	-	250	250
Student Success and Support Program - Credit	3,095,893	-	-	(306,725)	2,789,168	2,789,168
Student Success and Support Program - Non-Credit	1,515	-	-	-	1,515	1,515
Student Equity	1,822,907	-	-	(379,725)	1,443,182	1,443,182
Hunger Free Campus Support	115,692	-	-	(92,838)	22,854	22,854
Innovation in Higher Education	1,707,116	-	-	(1,143,377)	563,739	563,739
One Time Emerg Aid (Dreamer)	46,237	-	-	-	46,237	46,237
Veteran Resource Center (SSSP)	72,740	-	(4,581)	(50,707)	17,452	17,452
IEP Innovation & Effectiveness	200,000	-	-	(97,810)	102,190	102,190
Umoja Community Education Foundation	36,500	-	-	(33,958)	2,542	2,542
Apprenticeship	708,563	7,413	-	(318,728)	397,248	397,248
CA Apprenticeship Initiative	(36,603)	196,041	-	-	159,438	159,438
CALWORKS County	359,843	-	-	-	359,843	359,843
CALWORKS State	450,454	-	-	-	450,454	450,454
Financial Aid Administration Allowance (B-FAP)	684,571	-	-	-	684,571	684,571
Financial Aid Technology	268,326	-	-	(220,810)	47,516	47,516
Instructional Equipment	483,264	-	-	(289,089)	194,175	194,175
Physical Plant 16-17	443,317	-	-	(358,600)	84,717	84,717
Physical Plant 17-18	367,179	-	-	(220,307)	146,872	146,872
Physical Plant 18-19	200,548	-	-	(140,329)	60,219	60,219
Basic Skills	567,223	-	-	(133,360)	433,863	433,863
California Student Aid Commission /Cal Grant	1,338,935	-	(1,254)	(6,724)	1,330,957	1,330,957
Guided Pathways Allocation	771,298	121	-	(441,540)	329,879	329,879
Student Success Completion Grant	1,446,583	-	-	(31,017)	1,415,566	1,415,566
CARE	211,888	-	-	-	211,888	211,888
Restricted Lottery	1,443,662	-	-	(1,162,315)	281,347	281,347
Classified Professional Development	62,664	-	-	(62,664)	-	-
Equal Employment Opportunity	116,522	-	-	(72,243)	44,279	44,279
CA College Promise Innovation	884,137	-	-	(40,491)	843,646	843,646
Prop 39 Clean Energy (SMCCCD)	65,000	-	-	-	65,000	65,000
Nursing Faculty and Recruitment	197,578	-	-	-	197,578	197,578
Entrepreneurship Course Offering	8,515	-	-	(8,515)	-	-
BayClean	89,546	-	-	-	89,546	89,546
Adult Education Block Grant	1,490,633	-	-	(646,526)	844,107	844,107
Adult Education Block Grant C/O	868,997	-	-	-	868,997	868,997
Data & Accountability Funds	-	28,000	-	-	28,000	28,000
State PERS On-Behalf Payment	296,623	-	-	-	296,623	296,623
State STRS On-Behalf Payment	469,382	-	-	-	469,382	469,382
California College Promise	443,923	-	-	(231,346)	212,577	212,577
Strong Workforce Local Yr3	465,634	-	-	-	465,634	465,634
Strong Workforce Local Yr2	1,674,100	-	-	-	1,674,100	1,674,100
Strong Workforce Local Yr1	2,800,724	-	-	(2,149,102)	651,622	651,622
Strong Workforce Regional Yr1	(319,037)	319,037	-	-	-	-
Strong Workforce Regional Yr2	319,037	195,962	-	-	514,999	514,999
Strong Workforce Regional Yr3	953,570	-	-	-	953,570	953,570
Integrating Entrepreneurship (ISPIC)	10,000	-	-	-	10,000	10,000
CTE Enhancement Fund	4,989	-	-	(4,989)	-	-
SVETP (SV Eng Tech PW)	4,091,647	-	(29,059)	-	4,062,588	4,062,588
MetroEd Silicon Valley Career	48,765	89,618	-	-	138,383	138,383
CTE Data Unlocked Init	50,000	-	-	-	50,000	50,000
Eastside Alliance Career Path	104,375	60,000	-	-	164,375	164,375
Campus Safety & Sexual Assault	33,372	-	-	(23,108)	10,264	10,264
Self Employment Pathways (Gig)	25,000	-	-	-	25,000	25,000
CUHSD WIOA Title II AEFLA	-	40,000	-	-	40,000	40,000
Linking Business Advise (ISPIC)	5,000	-	-	-	5,000	5,000
OnLine Edu Initiative Grant Prop	-	13,215	-	-	13,215	13,215
Mental Health Support Funds	100,958	-	-	(68,065)	32,893	32,893
Song-Brown RN Special Program	(22,814)	22,814	-	-	-	-
General Child Care & Dev. Program	41,878	-	(41,878)	-	-	-
California State Preschool Program	78,981	-	(78,981)	-	-	-
<b>Total State District Funding</b>	<b>35,476,971</b>	<b>972,221</b>	<b>(155,753)</b>	<b>(8,735,008)</b>	<b>27,558,431</b>	<b>27,558,431</b>

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, 2019**

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<b>CATEGORIES</b>	Reported Data	Audit Adjustments	Audited Data
<b>A. Summer Intersession (Summer 2018 only)</b>			
1. Noncredit	28.31	-	28.31
2. Credit	1,210.89	-	1,210.89
<b>B. Summer Intersession (Summer 2019 - Prior to July 1, 2019)</b>			
1. Noncredit	-	-	-
2. Credit	7.52	-	7.52
<b>C. Primary Terms (Exclusive of Summer Intersession)</b>			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,425.65	-	8,425.65
(b) Daily Census Contact Hours	629.35	-	629.35
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit	179.36	-	179.36
(b) Credit	345.58	-	345.58
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	896.33	-	896.33
(b) Daily Census Contact Hours	508.58	-	508.58
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
<b>D. Total FTES</b>	<b>12,231.57</b>	<b>-</b>	<b>12,231.57</b>
<b>Supplemental Information (subset of above information)</b>			
<b>Basic Skills Courses and Immigrant Education</b>			
1. Credit	1,129.58	-	1,129.58
2. Noncredit	181.33	-	181.33
Total Basic Skills FTES	<b>1,310.91</b>	<b>-</b>	<b>1,310.91</b>

See accompanying notes to the supplementary information

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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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, 2019**

		Activity (ESCA) ECS 84362 A Instructional Salary Cost AC 0100-5900 & AC 6100			Activity (ECSSB) ECS 84362 B Total CEE AC 0100-6799		
	Object/ TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	15,259,244	-	15,259,244	15,188,538	-	15,188,538
Other	1300	22,368,346	-	22,368,346	22,450,596	-	22,450,596
Total Instructional Salaries		37,627,590	-	37,627,590	37,639,134	-	37,639,134
Non-Instructional Salaries							
Contract or Regular	1200	-	-	-	8,334,462	-	8,334,462
Other	1400	-	-	-	1,190,407	-	1,190,407
Total Non-Instructional Salaries		-	-	-	9,524,869	-	9,524,869
Total Academic Salaries		37,627,590	-	37,627,590	47,164,003	-	47,164,003
<u>Classified Salaries</u>							
Non-Instructional Salaries							
Regular Status	2100	-	-	-	20,972,608	-	20,972,608
Other	2300	-	-	-	1,432,618	-	1,432,618
Total Non-Instructional Salaries		-	-	-	22,405,226	-	22,405,226
Instructional Aides							
Regular Status	2200	2,159,265	-	2,159,265	2,159,265	-	2,159,265
Other	2400	947,364	-	947,364	947,364	-	947,364
Total Instructional Aides		3,106,629	-	3,106,629	3,106,629	-	3,106,629
Total Classssified Salaries		3,106,629	-	3,106,629	25,511,855	-	25,511,855
Employee Benefits	3000	18,077,387	-	18,077,387	33,883,280	-	33,883,280
Supplies and Materials	4000	-	-	-	1,127,437	-	1,127,437
Other Operating Expenses	5000	382,457	-	382,457	10,945,918	-	10,945,918
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		59,194,063	-	59,194,063	118,632,493	-	118,632,493
<u>Exclusions</u>							
Activities to Exclude							
Inst. Staff-Retirees' Benefits and Incentives	5900	-	-	-	-	-	-
Std. Health Svcs. Above Amount Collected	6441	-	-	-	110,079	-	110,079
Student Transportation	6491	-	-	-	-	-	-
Non-inst.Staff-Retirees' Benefits and Incentives	6740	-	-	-	714,474	-	714,474
Object to Exclude							
Rents and Leases	5060	-	-	-	80,595	-	80,595
Lottery Expenditures							
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	2,191,869	-	2,191,869
Employee Benefits	3000	-	-	-	-	-	-
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines & Periodicals	4200	-	-	-	-	-	-
Instructional Supplies & Materials	4300	-	-	-	242,426	-	242,426
Non-inst. Supplies & Materials	4400	-	-	-	885,011	-	885,011
Total Supplies and Materials		-	-	-	1,127,437	-	1,127,437
Other Operating Expenses and Services	5000	-	-	-	-	-	-
Capital Outlay	6000	-	-	-	-	-	-
Library Books	6300	-	-	-	26,732	-	26,732
Equipment	6400	-	-	-	-	-	-
Equipment - Additional	6410	-	-	-	372,620	-	372,620
Equipment - Replacement	6420	-	-	-	-	-	-
Total Equipment		-	-	-	372,620	-	372,620
Total Capital Outlay		-	-	-	399,352	-	399,352
Other Outgo	7000	-	-	-	43,425	-	43,425
Total Exclusions		\$ -	\$ -	\$ -	\$ 4,667,231	\$ -	\$ 4,667,231
Total for ECS 84362, 50% Law		\$ 59,194,063	\$ -	\$ 59,194,063	\$ 113,965,262	\$ -	\$ 113,965,262
Percent of CEE (Instructional Salary Cost/Total CEE)		51.94%	0.00%	51.94%	100.00%	0.00%	100.00%
50% of Current Expense of Education		\$ -	\$ -	\$ -	\$ 56,982,631	\$ -	\$ 56,982,631

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, 2019**

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EPA Revenue	1,216,215
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Activity Classification	Activity Code	Salaries and Benefits	Operating Expenses	Capital Outlay	Total
		(Obj 1000-3000)	(Obj 4000-5000)	(Obj 6000)	
Instructional Activities	0100-5900	1,216,215	-	-	1,216,215
Total		1,216,215	-	-	1,216,215

See accompanying notes to the supplementary information

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

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**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.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

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**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.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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COSSOLIAS | WILSON  
DOMINGUEZ | LEAVITT  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2019, 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 22, 2019.

**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.

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 #2019-01).

## 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 22, 2019



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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, 2019. 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.

### **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, 2019.

### **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 22, 2019





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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) 2018-19*, issued by the California Community Colleges Chancellor's Office for the year ended June 30, 2019.

### 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) 2018-19*, 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, 2019.

## ***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 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) 2018-19*. Accordingly, this report is not suitable for any other purpose.

*CWDL, Certified Public Accountants*

San Diego, California  
October 22, 2019

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.007, 84.033, 84.063, 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>84.047, 84.044</u>	<u>TRIO Cluster</u>

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

**STATE AWARDS**

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

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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*.

**2019-01 – 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 will develop a process, effective for the Spring 2020 term, whereby sufficient adjunct employee information is relayed from the colleges to HR to enable HR to perform a detailed monitoring function over all adjunct faculty hired. This monitoring will involve an appropriate HR employee regularly signing for the validity and appropriateness of the ongoing adjunct hires. The resulting audit trail will provide the external auditors with sufficient records to determine whether controls are properly in place with regard to adjunct faculty hires, similar to procedures performed over HR testing as related to all other District employees.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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 2018-19.***

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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 2018-19.***

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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 1<sup>st</sup>, 2018.
- One MSC member did not complete form 700 filing by the due date of April 1<sup>st</sup>, 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 28, 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.

**Current Status:** Implemented.

**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**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.

**Current Status:** Implemented.

**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.



**SAN JOSÉ/EVERGREEN COMMUNITY COLLEGE DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**2018-03 – HUMAN RESOURCES AND PAYROLL FOR ADJUNCT, continued**

**District Response, continued:**

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.

**Current Status:** See Finding 2019-01.