San Francisco Community College District

Annual Financial Report

June 30, 2018

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2018

FINANCIAL SECTION

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of San Francisco Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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, and the 2017-2018 *Contracted District Audit Manual*, 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 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 District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

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

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 14 and other required supplementary schedules on pages 70 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The following section, Management's Discussion and Analysis (MD&A), of the San Francisco Community College District's (the District) Annual Financial Report, is management's narrative overview and analysis of the financial condition and activities of the District for the fiscal year ended June 30, 2018. The District's financial statements are presented based on the Government Accounting Standards Board (GASB) Codification Section (Cod. Sec.) 2200-101 and Code Sec 5 business-type activities model.

DISTRICT OVERVIEW

San Francisco Community College District's financial statements are presented in accordance with GASB Cod. Sec. 2200-101 and Cod. Sec. Co5. These statements allow for the presentation of financial activity and results of operations focusing on the District as a whole. The government-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the presentation by fund type.

The focus of the Statement of Net Position is on assets, deferred outflows, liabilities, deferred inflows, and the difference between these measurement groups and is reported as of June 30, 2018. This statement combines and consolidates current financial resources with capital assets and long-term obligations.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expense categorized as operating and nonoperating, and expenses reported by natural classification for fiscal period July 1, 2017 and through June 30, 2018. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District for the fiscal period July 1, 2017 through June 30, 2018.

ANALYSIS OF NET POSITION – FISCAL YEAR 2018

The Statement of Net Position can serve as a useful indicator of a government agency's financial position. The comparative Statement of Net Position schedule compares the past two years and is based on the business-type activities model.

Table 1

ASSETS	2018	(as restated) 2017	Increase (Decrease)	Percent Change
Current Assets				
Cash and short-term receivables	$ 192,548,044	$ 187,842,055	$ 4,705,989	2.5%
Prepaid expenses and other assets	1,642,683	1,849,736	(207,053)	-11.2%
Total Current Assets	194,190,727	189,691,791	4,498,936	2.4%
Noncurrent Assets				
Other noncurrent assets	9,022,222	9,177,777	(155,555)	-1.7%
Capital assets, net of depreciation	328,684,032	348,725,503	(20,041,471)	-5.7%
Total Noncurrent Assets	337,706,254	357,903,280	(20,197,026)	-5.6%
Total Assets	531,896,981	547,595,071	(15,698,090)	-2.9%
DEFERRED OUTFLOWS OF RESOURCES	87,962,822	58,989,186	28,973,636	49.1%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	54,940,432	16,083,590	38,856,842	241.6%
Unearned revenue	21,746,089	30,432,747	(8,686,658)	-28.5%
Long-term liabilities - current portion	19,813,927	19,196,530	617,397	3.2%
Total Current Liabilities	96,500,448	65,712,867	30,787,581	46.9%
Noncurrent Liabilities				
Long-term liabilities	633,682,754	644,933,075	(11,250,321)	-1.7%
Total Liabilities	730,183,202	710,645,942	19,537,260	2.7%
DEFERRED INFLOWS OF RESOURCES	28,771,316	41,669,592	(12,898,276)	-31.0%
NET POSITION				
Net investment in capital assets	132,357,317	129,126,224	3,231,093	2.5%
Restricted	43,044,778	23,300,803	19,743,975	84.7%
Unrestricted	(314,496,810)	(298,158,304)	(16,338,506)	-5.5%
Total Net Position	$ (139,094,715)	$ (145,731,277)	$ 6,636,562	4.6%

Total current assets increased $4.5 million over the prior year. Cash and short-term receivables increased over the prior year by $4.7 million, or 2.5 percent. Individual component changes are as follows: Cash and investments decreased from the prior year by $1.5 million while State and local accounts receivables increased by $6.2 million primarily due to a $4.5 million State apportionment receivable resulting from an adjustment to the Total Computational Revenue calculation.

Noncurrent assets decreased $20.2 million or 5.6 percent from the prior year, primarily due to a $20.0 million decrease in capital assets, non-depreciable and depreciable, as a result of depreciation of $23.8 million on existing assets, offset by asset additions as a result of existing site improvements.

Total current liabilities increased by $30.8 million or 46.9 percent. Accounts payable and accrued liabilities increased by $38.9 primarily due to a $42.1 million ERAF overpayment from City and County of San Francisco. Unearned revenue decreased by $8.7 million mainly due to timing of $2.9 million in Federal and State grant expenditures, as well as recognition of $5.7 million in deferred State apportionment revenue from prior year. The remaining current portion of long-term liabilities, which are amounts due within the next fiscal year, increased $0.6 million or 3.2 percent.

Noncurrent liabilities decreased $11.3 million or 1.7 percent. Aggregate net pension obligations resulted in a net $10.5 million increase while General Obligation Bonds payable decreased $18.7 million as a result of scheduled payments funded through property taxes. Aggregate net OPEB liabilities increased by $1.1 million. In addition, other long-term obligations decreased by $2.5 million due to the scheduled repayment to the California Community Colleges Chancellor's Office relating to Distance Education course funding.

The District's net position for net investment in capital assets and restricted net position increased by $3.2 million or 2.5 percent and $19.7 million or 84.7 percent over the prior year, respectively, while unrestricted net position decreased $16.3 million or 5.5 percent. Total net position, which combines invested in capital assets, restricted, and unrestricted categories, experienced a net increase of $6.6 million or 4.6 percent.

ANALYSIS OF STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following comparative Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the District, as well as the nonoperating revenues and expenses. Annual State appropriations (apportionments), while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position* on page 17.

Table 2

Operating Revenues	2018	2017	Increase (Decrease)	Percent Change
Tuition and fees	$ 22,120,047	$ 18,447,803	$ 3,672,244	19.9%
Federal, State, and local grants and contracts	47,053,276	41,791,527	5,261,749	12.6%
Other operating revenues	-	168,185	(168,185)	-100.0%
Total Operating Revenues	69,173,323	60,407,515	8,765,808	14.5%
Operating Expenses				
Salaries and benefits	189,415,024	247,149,867	(57,734,843)	-23.4%
Supplies and maintenance	34,357,133	38,366,054	(4,008,921)	-10.4%
Student financial aid	19,429,829	20,778,801	(1,348,972)	-6.5%
Depreciation	23,814,941	26,590,982	(2,776,041)	-10.4%
Total Operating Expenses	267,016,927	332,885,704	(65,868,777)	-19.8%
OPERATING LOSS	(197,843,604)	(272,478,189)	(74,634,585)	27.4%
NONOPERATING REVENUES AND (EXPENSES)				
State apportionments	62,764,880	71,073,818	(8,308,938)	-11.7%
Local property taxes	53,941,275	82,240,443	(28,299,168)	-34.4%
Taxes levied for debt service	30,268,594	28,762,068	1,506,526	5.2%
Taxes levied for other specific purposes	19,000,394	15,281,673	3,718,721	24.3%
Local sales tax	14,421,447	15,254,074	(832,627)	-5.5%
Federal and State financial aid grants	17,772,672	18,847,725	(1,075,053)	-5.7%
Other State revenue	4,425,978	4,211,250	214,728	5.1%
Investment income	1,338,926	1,283,696	55,230	4.3%
Interest expense on capital related debt	(9,915,701)	(2,315,919)	7,599,782	328.2%
Transfer to fiduciary funds	(93,340)	(296,841)	(203,501)	-68.6%
Transfer from fiduciary funds	520	70,127	(69,607)	-99.3%
Other nonoperating revenues	8,546,095	1,897,572	6,648,523	350.4%
Total Nonoperating Revenues and (Expenses)	202,471,740	236,309,686	(33,837,946)	-14.3%
Income (loss) before other revenues and (expenses)	4,628,136	(36,168,503)	40,796,639	112.8%
OTHER REVENUES				
State grant and contracts	2,008,426	4,330,659	(2,322,233)	-53.6%
Local property taxes and revenues	-	4,024,868	(4,024,868)	-100.0%
Apportionment repayment	-	19,037,039	(19,037,039)	-100.0%
Total Other Revenues	2,008,426	27,392,566	(25,384,140)	-92.7%
Change in Net Position	$ 6,636,562	$ (8,775,937)	$ 15,412,499	175.6%

Tuition and fees, net of scholarships and allowances, increased $3.7 million or 19.9 percent from the prior year due to higher enrollment. Federal, State, and local grants and contracts increased $5.2 million or 12.6 percent from prior year.

Consolidated operating expenses decreased by $65.9 million or 19.8 percent from the prior year. This is primarily due to decreases in salaries and benefits of $57.7 million, or 23.4 percent, over the prior year resulting from a $67.9 million decrease in pension expense due to the amortization of deferred pension inflows, along with lower pension expense, offset by an increase of $5.0 million to fund OPEB. Depreciation, a noncash expense, decreased $2.8 million or 10.4 percent due to lower depreciable assets as a result of prior year disposals. Supplies and maintenance expense decreased $4.0 million from prior year.

Total nonoperating revenues and expenses decreased by $33.8 million, or 14.3 percent, over the prior year. During fiscal year 2018, the District earned $62.8 million in State Apportionment, a decrease of $8.3 million from prior year, which included $16.4 million in Education Protection Act Funds. Local property taxes for general purposes decreased by $28.3 million, or 34.4 percent, mainly due to an offset resulting from an adjustment in the Total Computational Revenue calculation. Taxes levied for debt service and for other specific purposes (parcel tax Measure A) increased by $5.2 million, or 11.9 percent, mainly due to the passage of parcel tax Measure B, which provides for an additional $20 per parcel, or an approximate $4.0 million increase. Federal and State financial aid grants, including Pell Grants, a direct pass-through to students, decreased $1.1 million, or 5.7 percent, over the prior year. Interest expense on capital asset-related debt increased $7.6 million primarily due to higher deferred refunding charges in the prior year on the 2015 General Obligation Refunding Bonds. Other nonoperating revenues increased $6.6 million primarily due to a $4.8 million litigation settlement in the current year relating to the Childcare Center.

Other revenues decreased by $25.4 million, or 92.7 percent, primarily due to the following: a decrease of $2.3 million in State grant and contracts as a result of less State funded construction projects, a decrease of $4.0 million due to revenue in the prior year from the Gough Street land lease, and a decrease of $19.0 million for an adjustment in the prior year relating to the Distance Education finding liability.

Functional Expenses

In accordance with requirements set forth by the California Community Colleges Chancellor's Office, the District reports operating expenses by object code. Operating expenses by functional classification are as follows:

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 92,120,881	$ 3,746,733	$ 58,665	$ -	$ 95,926,279
Academic support	9,482,591	964,484	-	-	10,447,075
Student services	32,512,067	2,129,554	2,154,230	-	36,795,851
Plant operations and maintenance	4,593,964	4,054,576	-	-	8,648,540
Instructional support services	43,696,528	15,708,792	-	-	59,405,320
Community services and economic development	3,187,239	3,149,496	5,746	-	6,342,481
Auxiliary services and auxiliary operations	3,371,543	1,189,013	-	-	4,560,556
Student aid	4,986	12,765	17,211,188	-	17,228,939
Physical Property and related acquisitions	445,225	3,401,720	-	-	3,846,945
Depreciation expense	-	-	-	23,814,941	23,814,941
Total Expenses	$ 189,415,024	$ 34,357,133	$ 19,429,829	$ 23,814,941	$ 267,016,927

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District as of June 30, 2018, amounted to a total of $328.7 million. Of this amount, the nondepreciable portion, composed of land, was $29.2 million or 4.1 percent of total book value. Depreciable capital assets totaled $680.3 million or 95.9 percent of total book value. Total accumulated depreciation was $380.8 million, resulting in net depreciable capital assets of $328.7 million.

Note 7 to the financial statements provides additional information on capital assets. A summary of capital assets is presented below:

	Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
Land and construction in progress	$ 29,211,619	$ -	$ -	$ 29,211,619
Buildings and improvements	642,331,124	894,861	-	643,225,985
Equipment and vehicles	34,358,879	2,878,609	(213,004)	37,024,484
Subtotal	705,901,622	3,773,470	(213,004)	709,462,088
Accumulated depreciation	(357,176,119)	(23,814,941)	213,004	(380,778,056)
	$ 348,725,503	$ (20,041,471)	$ -	$ 328,684,032

The District calculates depreciation using the straight-line method and the mid-year convention. The District participates in a physical asset count every three years. Depreciation expense amounted to $23.8 million for the year.

Obligations

Changes for the District's long-term obligations include a decrease in general obligations bonds payable of $18.7 million due to annual payments, a net increase of the aggregate net OPEB liability of $1.1 million, and a net increase of $10.5 million of aggregate net pension obligation. Additionally, other long-term obligations decreased $3.5 million primarily due to stability funding repayment related to Distance Education course funding, along with changes in compensated absences, load banking liability, and Supplemental Employee Retirement Plan liability.

Note 11 to the financial statements provides additional information on long-term obligations. A summary of long-term obligations is presented below:

	(as restated) Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
General obligation bonds	$ 285,580,305	$ -	$ 18,660,936	$ 266,919,369
Aggregate net OPEB liability	125,370,084	14,517,395	13,399,623	126,487,856
Aggregate net pension obligation	214,616,707	19,372,380	8,918,679	225,070,408
Other long-term obligations	38,562,509	818,390	4,361,851	35,019,048
Total Long-Term Debt	$ 664,129,605	$ 34,708,165	$ 45,341,089	$ 653,496,681
Amount due within one year				$ 19,813,927

DEBT FINANCING

The District participates in external financing activities to cover both long-term and short-term cash flows needs. As a governmental unit, the District's financing activities and choices are bounded by Federal and State restrictions.

A Citizens' Oversight Committee consisting of members from key constituencies of the community services as an advisory committee to the District's Board of Trustees. These constituencies include the San Francisco Taxpayers Association, the San Francisco Chamber of Commerce, senior citizens groups, City College students, and the Foundation of the San Francisco Community College District. The Citizens' Oversight Committee is responsible for monitoring the spending of the 2001 and 2005 Proposition A Bond funds. The District successfully qualified for matching funds available from Statewide School Facilities Bonds for several Proposition A projects.

In November 2001, San Francisco taxpayers approved $195.0 million in Proposition A Education Facilities Improvement Bonds. In November 2005, San Francisco taxpayers approved an additional $246.3 million authorization in Proposition A Bonds. As of June 30, 2014, the entire $195.0 million of the 2001 authorization and $246.3 million of the 2005 authorization had been sold and the proceeds are being used to fund approved projects.

In November 2005, San Francisco voters approved for the District an additional $246.3 million authorization to issue Proposition A General Obligation Bonds for Educational Facilities improvements. This award combined with the November 2001 approval, brought the District's Proposition A authorization up to $441.3 million. The first sale of Proposition A Bonds (Series A) occurred on March 13, 2002, and netted proceeds of $38.0 million. For this first sale, Moody's Investor Services assigned an underlying rating for these bonds of Aa3 and Fitch assigned an AA-rating. The insured ratings assigned for these same bonds by Moody's Investor Services and Fitch are Aaa and AAA, respectively.

On September 14, 2004, the District sold an additional $110.0 million. For the second sale that occurred on September 14, 2004, Moody's Investor Services assigned an underlying rating for these bonds of Aa3 and Standard & Poor's assigned an AA rating. The insured ratings assigned for these same bonds by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively. The underlying rating is an improvement over the previous rating.

On June 20, 2006, the District sold $137.0 million of General Obligation Bonds; the remaining authorization of 2001 (Series C) in the amount of $47.0 million and the first part of its 2005 authorization (Series A) in the amount of $90.0 million. Ratings assigned by Moody's Investor Services and Standard & Poor's remained the same as those assigned to the September 14, 2004, sale referred to in the previous paragraph.

On December 5, 2007, the District sold $110.0 million of General Obligation Bonds. This was the second sale of the November 2005 authorization (2005 authorization, Series B). The insured ratings assigned for this bond by Moody's Investor Services and Standard & Poor's are Aaa and AAA, respectively.

On April 2010, the District sold the remaining $46.3 million General Obligation bonds. This was the third and final sale of the November 2005 authorization (2005 authorization, Series C and Series D). The insured ratings assigned for both bonds by Moody's Investor Services and Standard & Poor's were Aa3 and AA, respectively.

On September 10, 2012, Moody's Investor Service downgraded the District's General Obligation bond rating from A1 to A1- and assigned the rating a negative outlook. Then, on November 15, 2012, Fitch Ratings issued a revised rating which took into account the successful passage statewide of Proposition 30 and locally in San Francisco the parcel tax. Fitch modified its rating for the District's General Obligation debt from A to A- and moved the District from its "negative watch" category to a "negative outlook" category. On March 27, 2013, Fitch Ratings downgraded the District's General Obligation Bonds of the $28.1 million 2002 GO bonds (election of 2001, series A) from A- to BBB+. The downgrade to 'BBB+' reflects the District's accreditation status. Through June 30, 2018, the District has maintained these respective ratings.

The District's ratings were raised to Aa3 and A/Stable for Moody's, S&P, and Fitch, respectively, the highest level since 2011, with Moody's valuing the College's bonds in the coveted Prime-1 Investment Grade range. The improved ratings mean more than just a grade for City College. The newly minted status has allowed the District to refinance outstanding bond debt and save San Francisco property taxpayers $48.7 million. On April 9, 2015, the District refinanced $241,290,000 of general obligation bonds from the 2001 series A, B, and C and 2005 series A and B bonds.

ECONOMIC FACTORS AFFECTING THE FUTURE OF SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

- The economic position of San Francisco Community College District is closely tied to that of the State of California, as State apportionments and property taxes allocated to the District's Unrestricted General fund represent approximately 75 percent of the total unrestricted revenues received by the District. Accordingly, the State economy plays a major factor in State appropriations for both higher education in general, and to the District in particular. The balance of District unrestricted revenues comes primarily from local sales taxes, 9 percent; resident tuition, 8 percent; nonresident tuition, 4 percent; lottery, 2 percent; and other revenues, 2 percent.

- The District has budgeted for the 2018-2019 fiscal year relying on reserves as part of deficit spending combined with FTES growth as part of restoration funding eligibility. The District has included assumptions for all major sources of funding to work within the projected level of State and local revenue. The District actively monitors both revenues and expenditures to ensure that prompt actions are taken in response to developments as they occur.

- In November 2012 voters passed the State Proposition 30 ballot initiative. Additionally, San Francisco voters passed a local parcel tax, Measure A. The value of Proposition 30 funds in the 2016-2017 budget year are $23.0 million. The value of Measure A funding is estimated by the City Controller to generate approximately $15.2 million annually in each of eight consecutive years. Both Proposition 30 and Measure A funding will make it possible for the District to rebuild its Board designated reserves and address its employer share of postemployment benefits liabilities during the currently Board approved eight year budget plan. In November 2016, the local voters passed Proposition B, which extends the parcel tax fifteen years and increases the amount per parcel to $99, a $20 per parcel increase. It is anticipated that this will translate into additional parcel tax revenue of $3.8 million per year bringing anticipated approximate annual revenue to $19.0 million per year. Additionally, Proposition 55 was passed statewide, which extends the income tax portion of the 2012 Proposition 30 measure for twelve additional years.

- The District received stability funding for the three fiscal years, 2014-2015 through 2016-2017. Beginning with fiscal year 2017-2018, the District is eligible for restoration funding, and has developed fiscal plans to soften the effect of the termination of stability funding starting in the 2017-2018 fiscal year. The District's plans include using the fund balance reserves to cover possible future deficit spending until the District's budget is once again balanced in fiscal year 2020-2021.

  In addition to these provisions, the State budget also provides a restoration period for CCSF. Specifically, commencing with fiscal year 2017-2018 the restoration period is extended from three years to five years and allows the College to be funded for restored FTES. For example, in fiscal year 2015-2016 the College generated 21,836.84 FTES. Our FTES base for fiscal year 2012-2013 was 32,628. Under the State approved restoration language, we are guaranteed funding for FTES restored from 21,910 up to 32,628 as long as this restoration occurs between fiscal years 2017-2018 and 2021-2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 questions about this report or need any additional financial information, contact San Francisco Community College District, Vice Chancellor of Finance and Administration, 33 Gough Street, San Francisco, CA 94103.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	$ 18,221,556
Investments	149,481,883
Accounts receivable	16,425,400
Student loans receivable, net	8,419,205
Prepaid expenses	1,609,197
Inventories	33,486
Total Current Assets	194,190,727
Noncurrent Assets	
Prepaid expenses - noncurrent portion	9,022,222
Nondepreciable capital assets	29,211,619
Depreciable capital assets, net of depreciation	299,472,413
Total Noncurrent Assets	337,706,254
TOTAL ASSETS	531,896,981
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	7,821,358
Deferred outflows of resources related to pensions	66,204,687
Deferred outflows of resources related to OPEB	13,936,777
Total Deferred Outflows of Resources	87,962,822
LIABILITIES	
Current Liabilities	
Accounts payable	54,466,184
Accrued interest payable	474,248
Unearned revenue	21,746,089
Long-term obligations - current portion	19,813,927
Total Current Liabilities	96,500,448
Noncurrent Liabilities	
Compensated absences	7,135,654
Load banking	365,848
Claims liability	5,336,465
Bonds payable	250,374,369
Capital leases	13,351
Supplemental early retirement plan	1,518,712
Aggregate net other postemployment benefits (OPEB) liability	126,487,856
Aggregate net pension obligation	225,070,408
Other long-term obligations	17,380,091
Total Noncurrent Liabilities	633,682,754
TOTAL LIABILITIES	730,183,202
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	28,771,316

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT, Continued
JUNE 30, 2018

NET POSITION	
Net investments in capital assets	$ 132,357,317
Restricted for:	
Debt service	7,700,677
Capital projects	11,032,495
Educational programs	7,424,938
Other activities	16,886,668
Unrestricted	(314,496,810)
TOTAL NET POSITION	$ (139,094,715)

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Student Tuition and Fees	$ 31,168,762
Less: Scholarship discount and allowance	(9,048,715)
Net tuition and fees	22,120,047
Grants and Contracts, Noncapital	
Federal	4,770,415
State	33,458,023
Local	8,824,838
Total grants and contracts, noncapital	47,053,276
TOTAL OPERATING REVENUES	69,173,323
OPERATING EXPENSES	
Salaries	152,474,816
Employee benefits	36,940,208
Supplies, materials, and other operating expenses and services	32,957,540
Student financial aid	19,429,829
Equipment, maintenance, and repairs	1,399,593
Depreciation	23,814,941
TOTAL OPERATING EXPENSES	267,016,927
OPERATING LOSS	(197,843,604)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	62,764,880
Local property taxes, levied for general purposes	53,941,275
Taxes levied for debt service	30,268,594
Taxes levied for other specific purposes	19,000,394
Local sales tax	14,421,447
Federal financial aid grants, noncapital	16,547,583
State financial aid grants, noncapital	1,225,089
State taxes and other revenues	4,425,978
Investment income	1,338,926
Interest expense on capital related debt	(9,915,701)
Transfer to fiduciary funds	(93,340)
Transfer from fiduciary funds	520
Other nonoperating revenue	8,546,095
TOTAL NONOPERATING REVENUES (EXPENSES)	202,471,740
INCOME BEFORE OTHER REVENUES	4,628,136
OTHER REVENUES	
State revenues, capital	2,008,426
CHANGE IN NET POSITION	6,636,562
NET POSITION, BEGINNING OF YEAR, as restated	(145,731,277)
NET POSITION, END OF YEAR	$ (139,094,715)

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 18,973,388
Federal, State, and local grants and contracts	47,915,680
Payments to vendors for supplies and services	(36,878,857)
Payments to or on behalf of employees	(221,757,781)
Payments to students for scholarships and grants	(19,429,829)
Net Cash Flows From Operating Activities	(211,177,399)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	50,063,845
Federal and State financial aid grants	17,772,672
Property taxes - nondebt related	110,489,268
State taxes and other revenues	4,425,978
Other nonoperating revenues	7,412,029
Net Cash Flows From Noncapital Financing Activities	190,163,792
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(3,649,589)
State revenue, capital projects	2,008,426
Property taxes - related to capital debt	49,268,988
Principal paid on capital debt	(18,770,240)
Interest paid on capital debt	(9,333,923)
Net Cash Flows From Capital Financing Activities	19,523,662
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	(17,834)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,507,779)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	169,211,218
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 167,703,439

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT, Continued
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (197,843,604)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	23,814,941
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables, net	697,200
Inventories	(1,137)
Prepaid expenses	52,635
Accounts payable and accrued liabilities	(3,050,813)
Unearned revenue	(2,981,455)
Deferred outflows of resources related to pensions	(15,650,299)
Deferred outflows of resources related to OPEB	(13,936,777)
Compensated absences and load banking	(191,931)
Supplemental early retirement plan	(759,356)
Aggregate net OPEB liability	1,117,772
Aggregate net pension obligation	10,453,701
Deferred inflows of resources related to pensions	(12,898,276)
Total Adjustments	(13,333,795)
Net Cash Flows From Operating Activities	$ (211,177,399)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 18,221,556
Cash in county treasury	149,481,883
Total Cash and Cash Equivalents	$ 167,703,439

NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 7,065,145

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Cash and cash equivalents	$ 4,929,945	$ -
Investments	14,024,195	9,055,131
Accounts receivable	-	41,454
Student loans receivable	-	193,191
Prepaid expenses	-	600
Depreciable capital assets, net of depreciation	-	1,775
Total Assets	18,954,140	9,292,151
LIABILITIES		
Accounts payable	-	70,995
Unearned revenue	-	104,964
Total Liabilities	-	175,959
NET POSITION		
Restricted for postemployment benefits other than pensions	18,954,140	-
Unrestricted	-	9,116,192
Total Net Position	$ 18,954,140	$ 9,116,192

The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Federal revenues	$ -	$ 9,443
State revenues	-	50,464
District contributions	13,966,777	-
Net investment income	1,057,771	-
Local revenues	-	2,172,019
Total Additions	15,024,548	2,231,926
DEDUCTIONS		
Classified salaries	-	96,024
Employee benefits	9,006,832	193
Books and supplies	-	221,624
Services and operating expenditures	30,000	484,116
Student financial aid	-	25,795
Total Deductions	9,036,832	827,752
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	93,340
Transfer to primary government	-	(520)
Other uses - Other student payments	-	(1,190,067)
Total Other Financing Sources (Uses)	-	(1,097,247)
CHANGE IN NET POSITION	5,987,716	306,927
NET POSITION, BEGINNING OF YEAR	12,966,424	8,809,265
NET POSITION, END OF YEAR	$ 18,954,140	$ 9,116,192

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

San Francisco Community College District (the District) was established in 1935 as a political subdivision of the State of California and is a comprehensive, public, two-year institution offering educational services to residents of the surrounding area. The District operates under a locally elected seven-member Board of Trustees form of government, which establishes the policies and procedures by which the District operates. The Board must approve the annual budgets for the General Fund, special revenue funds, and capital project funds, but these budgets are managed at the department level. Currently, the District operates 11 campuses located within the City of San Francisco, California. While the District is a political subdivision of the State of California, it is legally separate and is independent of other State and local governments, and it is not a component unit of the State in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 39.

Financial Reporting Entity

The District has adopted GASB Statement No. 61, *Determining Whether Certain Organizations are Component Units.* This statement amends GASB Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance to determine whether certain organizations, for which the District is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the District. The three components used to determine the presentation are: providing a "direct benefit", the "environment and ability to access/influence reporting", and the "significance" criterion. As defined by accounting principles generally accepted in the United States of America and established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government. The District has identified no component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and No. 35 as amended by GASB Statements No. 37, No. 38, and No. 39. This presentation provides a comprehensive government-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. The significant accounting policies followed by the District in preparing these financial statements are in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. Additionally, the District's policies comply with the California Community Colleges Chancellor's Office *Budget and Accounting Manual*. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All material intra-agency and intra-fund transactions have been eliminated.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are classified as operating revenues. These transactions are recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, operating revenues consist primarily of student fees and noncapital grants and contracts.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, Federal and State financial aid grants, entitlements, and donations. Property tax revenue is recognized in the fiscal year received. State apportionment revenue is earned based upon criteria set forth from the Community Colleges Chancellor's Office and includes reporting of full-time equivalent student (FTES) attendance. The corresponding apportionment revenue is recognized in the period the FTES are generated. Revenue from Federal and State financial aid grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements may include time and/or purpose requirements.

Operating expenses are costs incurred to provide instructional services including support costs, auxiliary services, and depreciation of capital assets. All other expenses not meeting this definition are reported as nonoperating. Expenses are recorded on the accrual basis as they are incurred, when goods are received, or services are rendered.

The financial statements are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, No. 38, No. 39, and No. 61. The business-type activities model followed by the District requires the following components of the District's financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements for the District as a whole including:
  - Statements of Net Position - Primary Government
  - Statements of Revenues, Expenses, and Changes in Net Position - Primary Government
  - Statements of Cash Flows - Primary Government
  - Financial Statements for the Fiduciary Funds including:
    - Statements of Fiduciary Net Position
    - Statements of Changes in Fiduciary Net Position
- Notes to the Financial Statements

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be unrestricted cash on hand, demand deposits, and short-term unrestricted investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include unrestricted cash with county treasury balances for purposes of the statement of cash flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2018, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also 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. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at $3,473,590 for the year ended June 30, 2018.

Prepaid Expenses

Prepaid expenses represent payments made to vendors and others for services that will benefit periods beyond June 30.

Inventories

Inventories consist primarily of bookstore merchandise and cafeteria food and supplies held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the weighted average method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole and include land, construction-in-progress, buildings, leasehold improvements, and equipment. The District maintains an initial unit cost capitalization threshold of $5,000 and an estimated useful life greater than one year. Assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. The District does not possess any infrastructure. Donated capital assets are recorded at estimated fair market value at the date of donation. Improvements to buildings and land that significantly increase the value or extend the useful life of the asset are capitalized; the costs of routine maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged as an operating expense in the year in which the expense was incurred. Major outlays for capital improvements are capitalized as construction-in-progress as the projects are constructed.

Depreciation of capital assets is computed and recorded utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 10 to 15 years; equipment, 5 to 10 years; vehicles, 3 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the financial statements.

Deferred Charges on Refunding

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Debt Premiums

Debt premiums are amortized over the life of the bonds using the straight line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of general obligation bonds, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District's Plan and MPP's fiduciary net position have been determined on the same basis as they are reported by the District's Plan and MPP. For this purpose, the District's Plan and MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. The current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the government-wide financial statements.

Sick leave is accumulated without limit for each employee based upon negotiated contracts. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, retirement credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Retirement credit for unused sick leave is applicable to all academic employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full time.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized. Unearned revenues include (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year and (2) amounts received from Federal and State grants received before the eligibility requirements are met.

Noncurrent Liabilities

Noncurrent liabilities include general obligation bonds, compensated absences, load banking, claims liability, capital leases, supplemental early retirement plan, aggregate net OPEB liability, aggregate net pension obligations, and other long-term liabilities with maturities greater than one year.

Net Position

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and the unrestricted resources when they are needed. The government-wide financial statements report $43,044,778 of restricted net position.

Operating Revenues and Expenses

Classification of Revenues - The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operation are classified as nonoperating as defined by GASB Statements No. 34 and No. 35. Classifications are as follows:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions such as student tuition and fees, net of scholarship discounts and allowances, Federal, State, and local grants and contracts, and sales and services of auxiliary enterprises.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as State apportionments, property taxes, investment income, gifts and contributions, and other revenue sources defined in GASB Statements No. 34 and No. 35.

Classification of Expenses - Nearly all of the District's expenses are from exchange transactions and are classified as either operating or nonoperating according to the following criteria:

Operating expenses - Operating expenses are necessary costs to provide the services of the District and include employee salaries and benefits, supplies, operating expenses, and student financial aid.

Nonoperating expenses - Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

State Apportionments

Certain current year apportionments from the State are based on financial and statistical information of the previous year. Any corrections due to the recalculation of the apportionment are made in February of the subsequent year. When known and measurable, these recalculations and corrections are accrued in the year in which the FTES are generated.

Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. The County Assessor is responsible for assessment of all taxable real property. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The City/County of San Francisco bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

The voters of the District passed General Obligation Bonds in 2001 and 2005 for the acquisition, construction, and remodeling of certain District property. As a result of the passage of the Bond, property taxes are assessed on the property within the District specifically for the repayment of the debt incurred. The taxes are billed and collected as noted above and remitted to the District when collected.

The voters of the District passed a Parcel Tax in 2012 for the general revenues of the District. The Parcel tax levies $79 per parcel for 8 years to provide for core academic programs, training, and education of student attending the District and transferring to university. The taxes are assessed, billed, and collected as noted above, and remitted to the District when collected.

Scholarships, Discounts, and Allowances

Student tuition and fee revenue is reported net of scholarships, discounts, and allowances. Fee waivers approved by the Board of Governors are included within the scholarships, discounts, and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances represent the difference between stated charges for enrollment fees and the amount that is paid by students or third parties making payments on the students' behalf.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study programs, as well as other programs funded by the Federal government. Financial aid to students is either reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited 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*.

Estimates

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

Interfund Activity

Interfund transfers and interfund receivables and payables are eliminated during the consolidation process in the Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest costs incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

The District has implemented the provisions of this Statement as of June 30, 2018.

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. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary 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 clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Authorized Under Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, consist of the following:

Primary Government	$ 167,703,439
Fiduciary funds	28,009,271
Total Deposits and Investments	$ 195,712,710
Cash on hand and in banks	$ 18,221,556
Cash with fiscal agent	4,929,945
Investments	172,561,209
Total Deposits and Investments	$ 195,712,710

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. The District manages its exposure to interest rate risk by primarily investing in the City and County of San Francisco Investment Pool, Certificates of Deposit, and Mutual Funds.

Specific Identification

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Book Value	Fair Value	Weighted Average Days to Maturity
City and County of San Francisco Investment Pool	$ 157,337,014	$ 156,464,396	466
Mutual Funds	14,024,195	14,024,195	N/A
Certificates of Deposits	1,200,000	1,159,675	1,431
Total	$ 172,561,209	$ 171,648,266	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the City and County of San Francisco Investment Pool, Certificates of Deposits, and Mutual Funds are not required to be rated, nor have they been rated as of June 30, 2018.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, approximately $21.9 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the City and County of San Francisco Investment Pool and Mutual Funds are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
City and County of San Francisco Investment Pool	$ 156,464,396	$ -	$ 156,464,396
Mutual Funds	14,024,195	-	14,024,195
Certificates of Deposits	1,159,675	1,159,675	-
Total	$ 171,648,266	$ 1,159,675	$ 170,488,591

All assets have been valued using a market approach, with quoted market prices.

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	$ 1,430,959	$ -
State Government		
Apportionment	4,512,962	-
Categorical aid	1,022,627	-
Lottery	937,924	-
Other State sources	170,431	-
Local Sources		
Third party billings	2,597,856	
Contract education	1,037,230	-
Sales tax	503,135	-
Interest	1,356,760	-
Other local revenues	2,855,516	41,454
Total	$ 16,425,400	$ 41,454
Student receivables	$ 11,892,795	$ 193,191
Less allowance for bad debt	(3,473,590)	-
Student receivables, net	$ 8,419,205	$ 193,191

NOTE 6 - PREPAID EXPENSES

In 2003, the District entered into a 75 year operating contract with San Francisco Unified School District to lease real property located at 106 Bartlett Street, San Francisco, California with a lump sum payment of $7,500,000. This amount was recorded as prepaid expenses and is being amortized as annual operating lease expense of $100,000 over the 75 year period. On June 9, 2006, the District entered into a second lease agreement with San Francisco Unified School District for additional property at 106 Bartlett Street with a lump sum payment of $4,000,000. This amount was recorded as prepaid expense and is being amortized as annual operating lease expense of $155,556 over the remaining life of the original lease. As of June 30, 2018, the prepaid expenses were as follows:

	Primary Government	Fiduciary Funds
Prepaid rent	$ 9,177,778	$ -
Prepaid other	1,453,641	600
Total	$ 10,631,419	$ 600

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2018, was as follows:

	Balance, July 1, 2017	Additions	Deletions Adjustments	Balance, June 30, 2018	Fiduciary Activities
Capital Assets Not Being Depreciated					
Land	$ 29,211,619	$ -	$ -	$ 29,211,619	$ -
Capital Assets Being Depreciated					
Land improvements	157,141,056	482,876	-	157,623,932	-
Buildings and improvements	485,190,068	411,985	-	485,602,053	11,645
Furniture and equipment	33,465,863	2,813,718	155,318	36,124,263	155,020
Vehicles	893,016	64,891	57,686	900,221	-
Total Capital Assets Being Depreciated	676,690,003	3,773,470	213,004	680,250,469	166,665
Total Capital Assets	705,901,622	3,773,470	213,004	709,462,088	166,665
Less Accumulated Depreciation					
Land improvements	139,522,896	4,669,139	-	144,192,035	
Buildings and improvements	188,716,820	17,363,872	-	206,080,692	10,897
Furniture and equipment	28,267,185	1,706,732	155,318	29,818,599	153,993
Vehicles	669,218	75,198	57,686	686,730	-
Total Accumulated Depreciation	357,176,119	23,814,941	213,004	380,778,056	164,890
Net Capital Assets	$ 348,725,503	$ (20,041,471)	$ -	$ 328,684,032	$ 1,775

Depreciation expense for the year was $23,814,941.

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable as of June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	$ 6,888,505	$ -
Construction	1,453,554	-
Property taxes	42,126,546	-
Vendors	3,997,579	70,995
Total	$ 54,466,184	$ 70,995

NOTE 9 - UNEARNED REVENUE

Unearned revenue as of June 30, 2018, consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	$ 143,877	$ -
State categorical aid	11,317,528	-
Enrollment fees	6,222,621	-
Other local	4,062,063	104,964
Total	$ 21,746,089	$ 104,964

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process. As of June 30, 2018, there were no amounts owed between the primary government and the fiduciary funds.

Interfund Operating Transfers

Operating transfers between funds of the District are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use restricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Operating transfers within the funds of the District have been eliminated in the consolidation process. Transfers between the primary government and the fiduciary funds are not eliminated in the consolidation process. During the 2018 fiscal year, the amount transferred to the fiduciary funds from the primary government was $93,340, and the amount transferred from the fiduciary funds to the primary government was $520.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

	(as restated) Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Due in One Year
General obligation bonds payable					
General obligation bonds, Series 2005					
Series C	$ 2,990,000	$ -	$ 1,465,000	$ 1,525,000	$ 1,525,000
Series D	30,660,000	-	-	30,660,000	-
General obligation bonds, 2015 Refunding	213,870,000	-	14,380,000	199,490,000	15,020,000
Subtotal	247,520,000	-	15,845,000	231,675,000	16,545,000
Unamortized bond premium	38,060,305	-	2,815,936	35,244,369	-
Total Bonds Payable	285,580,305	-	18,660,936	266,919,369	16,545,000
Other Obligations					
Compensated absences	7,069,462	66,192	-	7,135,654	-
Load banking	623,971	-	258,123	365,848	-
Capital leases	149,356	-	109,304	40,052	26,701
Supplemental early retirement plan	3,037,424	-	759,356	2,278,068	759,356
Claims liability	5,336,465	752,198	752,198	5,336,465	-
Aggregate net OPEB liability	125,370,084	14,517,395	13,399,623	126,487,856	-
Aggregate net pension obligation	214,616,707	19,372,380	8,918,679	225,070,408	-
Other long-term obligations	22,345,831	-	2,482,870	19,862,961	2,482,870
Total Other Obligations	378,549,300	34,708,165	26,680,153	386,577,312	3,268,927
Total Long-Term Obligations	$ 664,129,605	$ 34,708,165	$ 45,341,089	$ 653,496,681	$19,813,927

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The compensated absences, load banking, claims liability, and the aggregate net pension obligation payments will be paid by the fund for which the employee worked. Capital lease payments, supplemental early retirement plan, and the aggregate net OPEB liability payments are made out of the general unrestricted fund. The other long-term obligation related to the apportionment repayment liability will be paid as a reduction in State apportionment each year.

Election of 2005, Series C and D Bonds

To increase educational opportunities, raise student achievement, and improve conditions in its neighborhood campuses throughout San Francisco, the voters of the City and County of San Francisco approved a $246,300,000 General Obligation Bonds issued for the San Francisco Community College District on November 8, 2005, under the provisions of Article XIIIA of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1.5 of the Education Code of the State of California (commencing at Section 15100). The bonds were authorized pursuant to provisions of the Constitution of the State of California affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55 percent vote. On March 23, 2010, $15,640,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series C Bonds were issued with a final maturity date of June 15, 2019, and interest rates of .40 percent to 4.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. On April 13, 2010, $30,660,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series D Bonds were issued with a final maturity date of June 15, 2034, and interest rates of 4.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. The outstanding principal balances of the Series C and D bonds at June 30, 2018, were $1,525,000, and $30,660,000, respectively.

Election of 2015, Series D Refunding Bonds

On March 24, 2015, $241,290,000 (net of premium and bond issuance costs) of San Francisco Community College District, 2015 General Obligation Refunding Bonds were issued with a final maturity date of June 15, 2031, and interest rates of 2.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2015. The outstanding principal balances of the 2015 General Obligation Refunding Bonds at June 30, 2018, were $199,490,000

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Redeemed	Bonds Outstanding June 30, 2018
2010	06/15/19	.40%-4.0%	$ 15,640,000	$ 2,990,000	$ -	$ 1,465,000	$ 1,525,000
2010	06/15/34	4.0%-5.0%	30,660,000	30,660,000	-	-	30,660,000
2015	06/15/31	2.0%-5.0%	241,290,000	213,870,000	-	14,380,000	199,490,000
				$ 247,520,000	$ -	$ 15,845,000	$ 231,675,000

2005 Series C bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 1,525,000	$ 43,463	$ 1,568,463

2015 Series D bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 1,497,300	$ 1,497,300
2020	1,440,000	1,497,300	2,937,300
2021	1,510,000	1,425,300	2,935,300
2022	1,590,000	1,349,800	2,939,800
2023	1,665,000	1,270,300	2,935,300
2024-2028	9,545,000	5,147,850	14,692,850
2029-2033	12,110,000	2,576,000	14,686,000
2034	2,800,000	140,000	2,940,000
Total	$ 30,660,000	$ 14,903,850	$ 45,563,850

2015 Refunding bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 15,020,000	$ 9,841,200	$ 24,861,200
2020	15,735,000	9,101,100	24,836,100
2021	16,545,000	8,314,350	24,859,350
2022	17,325,000	7,496,500	24,821,500
2023	18,810,000	6,630,250	25,440,250
2024-2028	73,345,000	20,399,000	93,744,000
2029-2031	42,710,000	4,022,250	46,732,250
Total	$ 199,490,000	$ 65,804,650	$ 265,294,650

Compensated Absences

At June 30, 2018, the liability for compensated absences was $7,135,654.

Load Banking

At June 30, 2018, the liability for load banking was $365,848.

Claims Liability

At June 30, 2018, the liability for claims liability was $5,336,465. See Note 13 for additional information.

Capital Leases

The District leases equipment under capital lease agreements, secured by capital assets with net book value $40,052. Future minimum lease payments are as follows:

The District's liability on lease agreements with option to purchase is summarized below:

Year Ending June 30,	Lease Payment
2019	$ 30,294
2020	14,787
Total	45,081
Less: Amount Representing Interest	(5,029)
Present Value of Minimum Lease Payments	$ 40,052

Supplemental Early Retirement Plan (SERP)

The District adopted a one-time SERP for full-time faculty who were employed by the District as of December 15, 2016. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS, and be resigned from District employment by June 30, 2017. In exchange for early retirement, the District will contribute 65 percent of the 2016-2017 actual paid step/column salary. The District had 57 employees that enrolled in the SERP. The remaining obligation as of June 30, 2018, is $2,278,068. Future SERP payments are as follows:

Year Ending June 30,	Payment
2019	$ 759,356
2020	759,356
2021	759,356
Total	$ 2,278,068

Aggregate Net OPEB Liability

At June 30, 2018, the liability for the aggregate net OPEB liability amounted to $126,487,856. See Note 12 for additional information.

Aggregate Net Pension Obligation

At June 30, 2018, the liability for the aggregate net pension obligation amounted to $225,070,408. See Note 14 for additional information.

Other Long-Term Debt

Other long-term debt of $19,862,961 related to stability funding repayments to be repaid over 10 years. Future repayments are as follows:

Year Ending June 30,	Repayments
2019	$ 2,482,870
2020	2,482,870
2021	2,482,870
2022	2,482,870
2023	2,482,870
2024-2027	7,448,611
Total	$ 19,862,961

NOTE 12 - AGGREGATE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Aggregate Net OPEB Liability	Deferred Outflows of Resources	OPEB Expense
District Plan	$ 125,346,049	$ 13,936,777	$ 1,289,829
Medicare Premium Payment (MPP) Program	1,141,807	-	(172,057)
Total	$ 126,487,856	$ 13,936,777	$ 1,117,772

The details of each plan are as follows:

<u>District Plan</u>

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Management of the plan is vested in the District management. Management of the trustee assets is vested with the City and County of San Francisco Retiree Health Care Trust Fund Board.
Plan Membership

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	1,216
Active employees	1,376
	2,592

Retiree Health Benefit OPEB Trust

The Retiree Health Benefit OPEB Trust (the Trust) is an irrevocable governmental trust pursuant to Section 115 of the IRC for the purpose of funding certain postemployment benefits other than pensions. The Trust is administered by the Retiree Health Benefit Funding Program Joint Powers Agency (the JPA) as directed by the investment alternative choice selected by the District. The District retains the responsibility to oversee the management of the Trust, including the requirement that investments and assets held within the Trust continually adhere to the requirements of the California Government Code Section 53600.5 which specifies that the trustee's primary role is to preserve capital, to maintain investment liquidity, and to protect investment yield. As such, the District acts as the fiduciary of the Trust. The financial activity of the Trust has been discretely presented. Separate financial statements are not prepared for the Trust.

Benefits Provided

The Plan provides medical insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and a portion of the cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the District. For fiscal year 2016-2017, the District contributed $11,983,985 to the Plan, of which $8,144,914 was used for current premiums and $3,839,071 was used to fund the OPEB Trust.

Investment

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the governing board by a majority vote of its members. It is the policy of the District to pursue an investment strategy that reduces risks through the prudent diversification for the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, expect for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans. The following was the governing board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Domestic Equity	37%
International Equity	37%
Investment Grade Bonds	26%

Rate of Return

For the year ended June 30, 2017, the annual money-weighed rate of return on investments, net of investment expense, was 12.17 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the District

The District's net OPEB liability of $125,346,049 was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB liability	$ 138,312,473
Plan fiduciary net position	(12,966,424)
District's net OPEB liability	$ 125,346,049
Plan fiduciary net position as a percentage of the total OPEB liability	9.37%

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	7.00 percent
Health care cost trend rates	4.00 percent

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study as of June 2017.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	2.7%
International Equity	8.7%
Investment Grade Bonds	3.5%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2016	$ 131,939,992	$ 7,883,772	$ 124,056,220
Service cost	5,382,732	-	5,382,732
Interest	9,134,663	-	9,134,663
Contributions - employer	-	11,983,985	(11,983,985)
Net investment income	-	1,243,581	(1,243,581)
Benefit payments	(8,144,914)	(8,144,914)	-
Net change in total OPEB liability	6,372,481	5,082,652	1,289,829
Balance at June 30, 2017	$ 138,312,473	$ 12,966,424	$ 125,346,049

Changes of assumptions and other inputs reflect a change in the discount rate from 5.50 percent to 7.00 percent since the previous valuation. There were no changes in benefit terms since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (6.00%)	$ 140,243,012
Current discount rate (7.00%)	125,346,049
1% increase (8.00%)	112,773,946

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percent lower or higher than the current health care costs trend rates:

Health Care Cost Trend Rates	Net OPEB Liability
1% decrease (3.00%)	$ 112,566,643
Current health care cost trend rate (4.00%)	125,346,049
1% increase (5.00%)	140,135,667

Deferred Outflows of Resources

At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $13,936,777.

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District contributions. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities and Expense

At June 30, 2018, the District reported a liability of $1,141,807 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating community college districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, was 0.2714 percent and 0.2807, respectively, resulting in a net decrease in the proportionate share of 0.0093 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(172,057).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 2, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 1,264,060
Current discount rate (3.58%)	1,141,807
1% increase (4.58%)	1,022,890

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,031,797
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,141,807
1% increase (4.7% Part A and 5.1% Part B)	1,250,717

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property, general liability, and employee benefits. These risks are addressed through a combination of participation in public entity risk pools, commercial insurance, and self-insurance. The District is fully self-insured for workers' compensation.

The District is a member of the Alliance of School Cooperative Insurance Program (ASCIP) and Schools Excess Liability Fund (SELF). The District is subject to various deductible amounts in addition to payment of premiums assessed by the pools. The pools are responsible for claims beyond the deductible amount and provide high-level umbrella type coverage above certain limits.

The risk pools are operated separately and are independently accountable for their fiscal matters. The risk pools are not component units of the District for financial reporting purposes. A copy of the most recent audited financial statements for the pools can be obtained from the District.

During the fiscal year, the District finances its risk of loss for the following deductible portion of the general liability, automotive liability, property claims, and student professional liability as follows:

General Liability	$50,000
Automobile Liability	$50,000
Property	$25,000
Student Professional Liability	$50,000

Estimates of liabilities for open claims, both reported and unreported, are established by the District's external administrator for known claims and by periodic actuarial valuations.

A number of claims and suits are pending against the District. In the opinion of District administration, the related liability, if any, will not materially affect the financial position of the District. No settlements exceeded insurance coverage during the last three years.

As of February 1, 2005, the District became a charter member of the Community College Insurance Group (CCIG). The District's membership is limited to dental insurance. As a result, the District transitioned from a self-insured system to a premium system. Premiums are adjusted annually based upon the previous year's experience.

As of June 30, 2018, liability for claims amounted to $5,336,465, which is recorded in the self-insurance fund.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2017 to June 30, 2018.

	Balance Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance End of Year
Workers' Compensation	$ 5,336,465	$ 752,198	$ 752,198	$ 5,336,465

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflows of Resources	Proportionate Share of Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 146,856,856	$ 40,241,321	$ 19,182,017	$ 12,459,271
SFERS	76,912,801	25,652,796	9,498,081	12,003,173
CalPERS Miscellaneous Plan	1,300,751	310,570	91,218	237,494
Total	$ 225,070,408	$ 66,204,687	$ 28,771,316	$ 24,699,938

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by 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, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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 provisions and benefits in effect at June 30, 2018, are summarized as follows:

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

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the District's total contributions were $11,869,265.

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

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

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 146,856,856
State's proportionate share of the net pension liability associated with the District	86,879,275
Total	$ 233,736,131

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.1588 percent and 0.1578 percent, respectively, resulting in a net increase in the proportionate share of 0.0010 percent.

For the year ended June 30, 2018, the District recognized pension expense of $12,459,271. In addition, the District recognized pension expense and revenue of $8,745,233 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,869,265	$ -
Net change in proportionate share of net pension liability	622,017	12,709,390
Difference between projected and actual earnings on the pension plan investments	-	3,911,207
Difference between expected and actual experience in the measurement of the total pension liability	543,091	2,561,420
Changes of assumptions	27,206,948	-
Total	$ 40,241,321	$ 19,182,017

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 the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (3,251,531)
2020	2,460,451
2021	354,782
2022	(3,474,909)
Total	$ (3,911,207)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 1,135,058
2020	1,135,058
2021	1,135,058
2022	1,135,058
2023	3,832,336
Thereafter	4,728,678
Total	$ 13,101,246

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 215,632,488
Current discount rate (7.10%)	146,856,856
1% increase (8.10%)	91,040,770

City and County of San Francisco Employees' Retirement System (SFERS)

Plan Description

Qualified employees are eligible to participate in the San Francisco Employees' Retirement System (SFERS); a cost-sharing multiple-employer, public employee, defined benefit pension plan administered by the City and County of San Francisco (the City). SFERS is a separate department of the City, deriving its powers, functions, and responsibility from the City Charter and ordinances of the Board of Supervisors of the City. Substantially all employees of the City and County are members, including most of the District's classified permanent full-time employees and certain certificated employees hired prior to July 1, 1972. Members are classified according to City bargaining units as police, fire, and miscellaneous. District employees are members of the miscellaneous pool. SFERS issues a separate annual financial report that includes financial statements and required supplementary information. The SFERS annual financial report is available online at www.sfers.org.

Benefits Provided

The retirement system provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual cost-of-living adjustments after retirement. Employees with 20 years of service who have attained age 50 or those with 10 years of service who have attained age 60 are eligible for retirement benefits. The City Charter and the Administrative Code are the authorities that establish and amend the benefit provisions of the plan and employer and member obligations to the plan.

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

	City Employer Pool (Miscellaneous Non-Safety Membership)		
Hire date	On or after November 2, 1976 and before July 1, 2010	On or after July 1, 2010 and before July 7, 2012	On or after January 7, 2012
Benefit formula	2.3% at 62	2.3% at 62	2.3% at 65
Benefit vesting schedule	Age 50 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service	Age 50 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service	Age 53 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	62	62	65
Maximum annual benefits	75%	75%	75%
Monthly benefits as a percentage of eligible compensation	1.0% - 2.30%	1.0% - 2.30%	1.0% - 2.30%
Required employee contribution rate	7.5%-10.5%	7.5%-10.5%	7.5%-10.5%
Required employer contribution rate	18.4% - 21.4%	18.4% - 21.4%	18.4% - 21.4%

All retired members receive a benefit adjustment each July 1, which is the basic cost of living adjustment (COLA). The majority of adjustments are determined by changes in the Consumer Price Index with increases capped at 2 percent. The Plan provides for a supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan and the Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5 percent including that Basic COLA. For members hired on or after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits.

Contributions

Contributions are made to the plan by both the employers and the participating employees. The basic employer contributions are the amounts deemed necessary, on an actuarial basis using the entry age normal cost method, to provide the plan with assets sufficient to pay the basic benefits that are not provided for by employees' contributions. Employee and employer contributions are mandatory, as required by the City Charter. The District's contributions to SFERS, for the year ended June 30, 2018, were $9,219,890.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the collective SFERS net pension liability totaling $76,912,801. The net pension liability of the plan is measured as of June 30, 2017, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, was 1.5403 percent and 1.4766 percent, respectively, resulting in an increase in the proportionate share of 0.0637 percent.

For the year ended June 30, 2018, the District recognized pension expense of $12,003,173, including amortization of deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,219,890	$ -
Net change in proportionate share of net pension liability	3,248,000	4,081,000
Difference between projected and actual earnings on the pension plan investments	-	2,869,163
Difference between expected and actual experience in the measurement of the total pension liability	713,606	2,322,064
Change of assumptions	12,471,300	225,854
Total	$ 25,652,796	$ 9,498,081

The deferred outflows of resources 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 remaining deferred outflows/ inflows of resources will be amortized over a closed five year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2019	$ 168,584
2020	6,234,840
2021	3,889,287
2022	(3,357,886)
Total	$ 6,934,825

The total pension liability was determined by an actuarial valuation as of June 30, 2017. The following is a summary of the actuarial methods and assumptions used in the actuarial valuation:

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal cost
Inflation	3.25%
Salary increases	3.75% plus merit component
Investment rate of return	7.50%, net of investment expense and inflation
Municipal bond yield	3.58%
Discount rate	7.50%
Administrative expense	0.60% of payroll
Basic COLA	2.00%

Mortality rates for active members were based upon adjusted Employee CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The probability of a Supplemental COLA as of June 30, 2017, was developed based upon the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLA for members with a 2.00 percent basic COLA for sample years.

Fiscal Year	Assumption
2023	0.294%
2028	0.345%
2033	0.375%
Thereafter	0.375%

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2017, was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2017, actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation data plus an amortization payment on the unfunded actuarial liability.

The plan's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2096, when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50 percent to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.58 percent to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2017, is 7.50 percent.

The long-term expected rate of return on pension plan investments was 7.50 percent. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	40%	5.3%
Global fixed income	20%	1.6%
Private equity	18%	6.5%
Real assets	17%	4.6%
Hedge funds/absolute return	5%	3.6%

The following presents the District's allocation of the its proportionate share of the net pension liability, calculated using the 7.50 percent discount rate, as well as what the District's allocation would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.50%)	$ 131,763,978
Current discount rate (7.50%)	76,912,801
1% increase (8.50%)	31,527,477

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in covered under a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statues, as legislatively amended, within the Public Employees' Retirement Law.

The Public Agency Cost-Sharing Multiple-Employer Plan is comprised of a Miscellaneous Risk Pool and a Safety Risk Pool. Individual employers may sponsor more than one Miscellaneous or Safety plan. The District sponsors one Miscellaneous Risk Pool plan (the Plan). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

Benefits Provided

The Plan 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 employment-related disability benefits regardless of length of service and non-duty disability benefits after five years of service. Disability benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate upon the retiree's death. 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.

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

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Required employee contribution rate	N/A	N/A
Required employer contribution rate	N/A	N/A

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 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 contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above, and the total District contributions were $60,954.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $1,300,751. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2017 and June 30, 2016, was 0.0330 percent and 0.0321 percent, respectively, resulting in a net increase in the proportionate share of 0.0009 percent.

For the year ended June 30, 2018, the District recognized pension expense of $237,494. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 60,954	$ -
Net change in proportionate share of net pension liability	-	52,444
Difference between projected and actual earnings on the pension plan investments	45,739	-
Difference between expected and actual experience in the measurement of the total pension liability	1,630	23,353
Changes of assumptions	202,247	15,421
Total	$ 310,570	$ 91,218

The deferred outflow 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 the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (930)
2020	54,206
2021	19,618
2022	(27,155)
Total	$ 45,739

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 30,554
2020	44,438
2021	37,667
Total	$ 112,659

Actuarial Methods and Assumptions

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

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

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 2,027,681
Current discount rate (7.15%)	1,300,751
1% increase (8.15%)	698,696

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.20 percent of an employee's gross earnings. An employee is required to contribute 6.20 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2018, which amounted to $7,065,145 (8.589 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2018. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of operating revenue and employee benefit expense.

Deferred Compensation

The District offers its employees a CalPERS administered 457 Deferred Compensation Program (the Program). The Program, available to all permanent employees, permits them to defer a portion of pre-tax salary into investment of an individual's own choosing until future years. The deferred compensation is not available to the employees or their beneficiaries until termination, retirement, death, or an unforeseeable emergency. The CalPERS Board controls the investment and administrative functions of the CalPERS 457 Deferred Compensation Program. The Board for the exclusive benefit of participating employees, which adds security, holds the assets in trust.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Operating Leases

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

Year Ending June 30,	Lease Payment
2019	$ 2,179,940
2020	1,050,284
2021	1,038,744
Total	$ 4,268,968

Construction Commitments

The District had several commitments with respect to the unfinished capital projects. These projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office. As of June 30, 2018, the total amount committed was approximately $2.4 million.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Primary Government	
Net Position - Beginning	$ (105,919,203)
Inclusion of the aggregate net OPEB liability from the adoption of GASB Statement No. 75	(39,812,074)
Net Position - Beginning, as restated	$ (145,731,277)

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 5,382,732
Interest	9,134,663
Benefit payments	(8,144,914)
Net change in total OPEB liability	6,372,481
Total OPEB liability - beginning	131,939,992
Total OPEB liability - ending (a)	$ 138,312,473
Plan Fiduciary Net Position	
Contributions - employer	$ 11,983,985
Net investment income	1,243,581
Benefit payments	(8,144,914)
Net change in plan fiduciary net position	5,082,652
Plan fiduciary net position - beginning	7,883,772
Plan fiduciary net position - ending (b)	$ 12,966,424
District's net OPEB liability - ending (a) - (b)	$ 125,346,049
Plan fiduciary net position as a percentage of the total OPEB liability	9.37%
Covered-employee payroll	$ 131,979,430
District's net OPEB liability as a percentage of covered-employee payroll	94.97%

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

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Annual money-weighted rate of return, net of investment expense	12.17%

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

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MPP PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.2714%
District's proportionate share of the net OPEB liability	$ 1,141,807
District's covered-employee payroll	N/A [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016
CalSTRS			
District's proportion of the net pension liability	0.1588%	0.1578%	0.1637%
District's proportionate share of the net pension liability	$ 146,856,856	$ 127,669,976	$ 110,236,539
State's proportionate share of the net pension liability associated with the District	86,879,275	72,680,240	58,302,977
Total	$ 233,736,131	$ 200,350,216	$ 168,539,516
District's covered-employee payroll	$ 88,682,576	$ 77,235,937	$ 73,432,379
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	166%	165%	150%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%
SFERS			
District's proportion of the net pension liability	1.5403%	1.4766%	1.5795%
District's proportionate share of the net pension liability	$ 76,912,801	$ 85,831,480	$ 36,265,841
District's covered-employee payroll	$ 43,296,854	$ 39,223,199	$ 40,264,153
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	178%	219%	90%
Plan fiduciary net position as a percentage of the total pension liability	82%	77%	90%
CalPERS - Miscellaneous Plan			
District's proportion of the net pension liability	0.0330%	0.0321%	0.0301%
District's proportionate share of the net pension liability	$ 1,300,751	$ 1,115,251	$ 2,626,907
District's covered-employee payroll	N/A	$ 1,850,556	$ 1,973,862
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	60%	133%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%

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

N/A - As of the 2017 fiscal year, there was no covered payroll associated with the PERS employees covered by the CalPERS Miscellaneous Plan.

See accompanying note to required supplementary information.

2015
0.1838%
$ 109,162,777
65,917,198
$ 175,079,975
$ 85,079,413
128%
77%
1.7522%
$ 31,021,562
$ 41,365,456
75%
92%
0.0193%
$ 2,193,486
$ 1,981,879
111%
83%

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016
CalSTRS			
Contractually required contribution	$ 11,869,265	$ 11,156,268	$ 8,287,416
Contributions in relation to the contractually required contribution	11,869,265	11,156,268	8,287,416
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 82,254,089	$ 88,682,576	$ 77,235,937
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%
SFERS			
Contractually required contribution	$ 9,219,890	$ 8,192,668	$ 7,819,687
Contributions in relation to the contractually required contribution	9,219,890	8,192,668	7,819,687
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 47,356,078	$ 43,296,854	$ 39,223,199
Contributions as a percentage of covered-employee payroll	19.47%	18.92%	19.94%
CalPERS - Miscellaneous Plan			
Contractually required contribution	$ 60,954	$ 49,922	$ 424,160
Contributions in relation to the contractually required contribution	60,954	49,922	424,160
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	N/A	N/A	$ 1,850,556
Contributions as a percentage of covered-employee payroll	N/A	N/A	23%

Note : In the future, as data becomes available, ten years of information will be presented.
N/A - As of the 2017 fiscal year, there was no covered payroll associated with the PERS employees covered by the CalPERS Miscellaneous Plan.

See accompanying note to required supplementary information.

2015
$ 6,520,795
6,520,795
$ -
$ 73,432,379
8.88%
$ 9,603,924
9,603,924
$ -
$ 40,264,153
23.85%
$ 232,343
232,343
$ -
$ 1,973,862
12%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
ENDED JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the Plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions **-** The plan rate of investment return assumption was changed from 5.50 percent to 7.00 percent since the previous valuation.

Schedule of OPEB Investment Returns

This schedule presents information on the annual money-weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in the benefit terms since the previous valuation.

Changes of Assumptions **-** The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net positions and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **-** The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2018

San Francisco Community College District was established in 1935 and is located in San Francisco County. There were no changes in the boundaries of the District during the current year. The District's college is accredited by the Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges, which is one of six regional associations that accredit public and private schools, colleges, and universities in the United States.

BOARD OF TRUSTEES

MEMBER	OFFICE	TERM EXPIRES
Brigitte Davila	President	2018
Alex Randolph	Vice President	2020
Rafael Mandelmann	Member	2020
Tom Temprano	Member	2020
Shanell Williams	Member	2020
Thea Selby	Member	2018
John Rizzo	Member	2018

ADMINISTRATION

Mark Rocha	Chancellor
Luther Aaberge	Vice Chancellor of Finance and Administration
Tom Boegel	Vice Chancellor of Academic Affairs
Rueben Smith	Vice Chancellor of Facilities, Planning, and Construction
Dianna Gonzales	Vice Chancellor of Human Resources
Trudy J. Walton	Vice Chancellor of Student Development
Daman Grewal	Vice Chancellor of Information Technology/ Chief Information Technology Officer

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Program Name	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		$ 14,645,544	$ -
Federal Pell Grant Program Administrative Allowance	84.063		109,324	-
Federal Work-Study Program	84.033		776,638	-
Federal Direct Student Loans	84.268		1,232,654	-
Federal Supplemental Educational Opportunity Grants	84.007		648,480	-
Federal Perkins Loans	84.038		1,883,867	-
Total Student Financial Assistance Cluster			19,296,507	-
TRIO Student Support Services	84.042A		412,806	-
Passed through California Department of Education (CDE)				
Adult Basic Education and ELA	84.002A	14508	822,513	-
Adult Secondary Education	84.002A	13978	50,095	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act, Title I, Part C	84.048A	17-C01-048	854,675	-
Career and Technical Education Transitions	84.048A	17-C01-048	41,592	-
TOTAL U.S. DEPARTMENT OF EDUCATION			21,478,188	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Temporary Assistance for Needy Families (TANF) Cluster				
Passed through California Community Colleges Chancellor's Office				
Temporary Assistance for Needy Families	93.558	[1]	81,920	-
Passed through City and County of San Francisco				
Temporary Assistance for Needy Families	93.558	[1]	229,108	-
Total TANF Cluster			311,028	-
Passed through California Community Colleges Chancellor's Office				
Foster and Kinship Care Education	93.658	[1]	33,452	-
Passed through City and County of San Francisco				
Foster Care Title IV-E	93.658	[1]	220,855	
Medi-Cal Administrative Activities	93.778	[1]	10,440	
Passed through California Department of Education (CDE)				
Child Care Development Fund Cluster				
Child Care Development Block Grant - Centers Based	93.575	15136	11,819	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	25,710	-
Total Child Care Development Fund Cluster			37,529	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			613,304	-

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Program Name	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF DEFENSE				
Passed through State of California Governor's Office of Planning and Research				
Cybersecurity Labor Market Analysis	12.617	OPR17101	$ 96,000	$ 96,000
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education (CDE)				
Child and Adult Care Food Program	10.558	13393	45,432	-
NATIONAL SCIENCE FOUNDATION				
Research and Development Cluster				
Bio-Link Next Generation National Advanced Technological Educational Center	47.076		97,306	-
Passed through Madison Area Technical College				
Scaling Implementation of Stem Cell Technical Education	47.076	1501553	913,045	304,765
Passed through Collin County Community College District				
National Convergence Technology Center	47.076	DUE-1205077	6,398	-
Total Research and Development Cluster			1,016,749	304,765
U. S. DEPARTMENT OF VETERANS AFFAIRS				
Veterans Education	64.120		8,034	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 23,257,707	$ 400,765

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
AB 1290 Scheduled Maintenance and Repair	$ 1,253,822	$ -	$ 1,253,822
AB 86 Adult Education Consortium	3,665,059	1,325,700	4,990,759
Basic Skills	963,843	157,276	1,121,119
Beverage Container Recycling Grant	136,000	-	136,000
Board of Financial Aid Program	740,559	-	740,559
California Institute for Regenerative Medicine	432,700	-	432,700
Cal Grant	1,223,995	-	1,223,995
CA Apprenticeship Initiative	-	348,181	348,181
CAI Pre-Apprentice and Job Training	499,616	-	499,616
California Career Pathway Trust (CCPT)	-	3,186,973	3,186,973
California Nursing Support	228,000	-	228,000
CalWORKS	459,145	-	459,145
Cooperative Agencies resources for Education (CARE)	108,356	-	108,356
Career Technical Enhancement	4,417,331	2,100,123	6,517,454
CCCCO MESA	74,515	-	74,515
Center Based Child Development	62,855	-	62,855
Childcare Tax Bailout	107,107	-	107,107
Disable Students Programs and Services (DSPS)	2,184,569	-	2,184,569
Economic Workforce Development (EWD)	552,100	-	552,100
EDG Emergency Dreamer	73,016	-	73,016
Extended Opportunity Programs and Services (EOPS)	1,545,979	-	1,545,979
Equal Employment Opportunity	50,000	33,048	83,048
Foster Care and Kinship Education	41,296	-	41,296
Full Time Student Success Grant	583,860	105,045	688,905
Innovation for Higher Education	-	1,968,734	1,968,734
Proposition 39 Clean Energy	903,104	-	903,104
San Francisco First 5 Preschool	272,968	-	272,968
SFDPH/MHSA MHCHW	255,000	-	255,000
Special Trustee	289,000	251,561	540,561
State Preschool	848,208	-	848,208
Student Equity	2,021,765	1,165,045	3,186,810
Student Success and Support Program (SSSP)	5,023,448	4,081,043	9,104,491
Transfer and Articulation	-	2,083	2,083
Total	$ 29,017,216	$ 14,724,812	$ 43,742,028

See accompanying note to supplementary information.

Program Revenues				
Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
$ 1,253,822	$ -	$ -	$ 1,253,822	$ 1,253,822
5,577,303	-	80,148	5,497,155	2,950,777
1,525,169	-	625,020	900,149	900,149
-	17,000	-	17,000	17,000
740,559		-	740,559	740,559
444,086	-	20,383	423,703	423,703
1,215,490	8,505	-	1,223,995	1,223,995
348,181	-	174,776	173,405	173,405
-	31,200	-	31,200	31,200
3,186,973	-	1,699,557	1,487,416	1,487,416
-	228,000	-	228,000	228,000
459,145	-	-	459,145	459,145
108,356	6,239	-	114,595	114,595
6,266,750	77,088	3,412,344	2,931,494	2,931,494
31,004	43,511	-	74,515	74,515
62,855	-	-	62,855	62,855
76,345	5,485	-	81,830	81,830
2,184,569	-	-	2,184,569	2,184,569
137,399	345,056	-	482,455	482,455
73,016	-	-	73,016	73,016
1,545,979	-	-	1,545,979	1,545,979
83,048		52,800	30,248	30,248
35,753	5,543	-	41,296	41,296
701,787	-	275,001	426,786	426,786
1,968,734	-	1,402,789	565,945	565,945
754,604	-	-	754,604	301,777
272,968	-	116,107	156,861	156,861
-	255,000	-	255,000	255,000
540,561	-	540,561	-	-
577,147	-	-	577,147	577,147
3,654,648	-	748,181	2,906,467	2,906,467
7,900,600	-	2,168,647	5,731,953	5,731,953
2,083	-	1,214	869	869
$ 41,728,934	$ 1,022,627	$ 11,317,528	$ 31,434,033	$ 28,434,828

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2018

CATEGORIES	Reported Data*	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2017 only)			
1. Noncredit**	630.93	-	630.93
2. Credit	1,262.06	-	1,262.06
B. Summer Intersession (Summer 2018 - Prior to July 1, 2018)			
1. Noncredit**	7.53	-	7.53
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,701.30	-	11,701.30
(b) Daily Census Contact Hours	743.52	-	743.52
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	5,638.78	-	5,638.78
(b) Credit	659.13	-	659.13
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,665.33	-	1,665.33
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	22,308.58	-	22,308.58
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	4,719.69	-	4,719.69
2. Credit	192.60	-	192.60
CCFS-320 Addendum			
CDCP Noncredit FTES	4,542.28	-	4,542.28
Centers FTES			
1. Noncredit**	2,829.78	-	2,829.78
2. Credit	5,389.88	-	5,389.88

* Annual report revised as of September 21, 2018.
** Including Career Development and College Preparation (CDCP) FTES.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Academic Salaries							
Instructional Salaries							
Contract or Regular	1100	$ 37,317,163	$ -	$ 37,317,163	$ 37,781,344	$ -	$ 37,781,344
Other	1300	28,249,203	-	28,249,203	28,669,355	-	28,669,355
Total Instructional Salaries		65,566,366	-	65,566,366	66,450,699	-	66,450,699
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	11,879,765	-	11,879,765
Other	1400	-	-	-	3,168,376	-	3,168,376
Total Noninstructional Salaries		-	-	-	15,048,141	-	15,048,141
Total Academic Salaries		65,566,366	-	65,566,366	81,498,840	-	81,498,840
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	30,026,067	-	30,026,067
Other	2300	-	-	-	4,176,428	-	4,176,428
Total Noninstructional Salaries		-	-	-	34,202,495	-	34,202,495
Instructional Aides							
Regular Status	2200	1,332,662	-	1,332,662	2,232,837	-	2,232,837
Other	2400	449,513	-	449,513	549,251	-	549,251
Total Instructional Aides		1,782,175	-	1,782,175	2,782,088	-	2,782,088
Total Classified Salaries		1,782,175	-	1,782,175	36,984,583	-	36,984,583
Employee Benefits	3000	20,652,437	-	20,652,437	40,511,930	-	40,511,930
Supplies and Material	4000	-	-	-	1,385,354	-	1,385,354
Other Operating Expenses	5000	-	-	-	12,609,919	-	12,609,919
Equipment Replacement	6420	-	-	-	672,462	-	672,462
Total Expenditures Prior to Exclusions		88,000,978	-	88,000,978	173,663,088	-	173,663,088

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	1,614,634	-	1,614,634
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,350,393	-	1,350,393
Lottery Expenditures							-
Academic Salaries	1000	2,481,203	-	2,481,203	2,481,203	-	2,481,203
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	648,437	-	648,437	648,437	-	648,437
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Other Operating Expenses and Services	5000	$ -	$ -	$ -	$ -	$ -	$ -
Capital Outlay							
Library Books	6000	-	-	-	-	-	-
Equipment	6300	-	-	-	-	-	-
Equipment - Additional	6400	-	-	-	-	-	-
Equipment - Replacement	6410	-	-	-	-	-	-
Total Equipment		-	-	-	-	-	-
Total Capital Outlay							
Other Outgo	7000	-	-	-	-	-	-
Total Exclusions		3,129,640	-	3,129,640	6,094,667	-	6,094,667
Total for ECS 84362, 50 Percent Law		$ 84,871,338	$ -	$ 84,871,338	$ 167,568,421	$ -	$ 167,568,421
Percent of CEE (Instructional Salary Cost/Total CEE)		50.65%		50.65%	100.00%		100.00%
50% of Current Expense of Education					$ 83,784,211		$ 83,784,211

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACCOUNT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2018

Activity Classification	**Object Code**				**Unrestricted**
EPA Revenue:	8630				$ 16,430,712
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 16,430,712	$ -	$ -	$ 16,430,712
Total Expenditures for EPA		$ 16,430,712	$ -	$ -	$ 16,430,712
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

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

There were no adjustments to the Annual Financial and Budget Report (CCFS-311) which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 31,658,012	
Debt Service Funds	8,174,925	
Special Revenue Funds	4,955,306	
Capital Project Funds	64,821,621	
Enterprise Funds	122,985	
Internal Service Funds	10,254,610	
Fiduciary Fund	1,676,752	
Total Fund Balance - All District Funds		**$ 121,664,211**
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	709,462,088	
Accumulated depreciation is	(380,778,056)	328,684,032
Deferred charges on refunding (the difference between the reacquisition price and net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is shorter) and are included with governmental activities.		7,821,358
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(474,248)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	21,150,109	
Net change in proportionate share of net pension liability	3,870,017	
Differences between projected and actual earnings on pension plan investments	45,739	
Differences between expected and actual experience in the measurement of the total pension liability	1,258,327	
Changes of assumptions	39,880,495	
Total Deferred Outflows of Resources Related to Pensions		66,204,687

See accompanying note to supplementary information.

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION, Continued
FOR THE YEAR ENDED JUNE 30, 2018

Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	$ 16,842,834	
Differences between projected and actual earnings on pension plan investments	6,780,370	
Differences between expected and actual experience in the measurement of the total pension liability	4,906,837	
Changes of assumptions	241,275	
Total Deferred Inflows of Resources Related to Pensions		$ (28,771,316)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year end consist of OPEB contributions subsequent to measurement date.		13,936,777
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year end consist of:		
General obligation bonds payable	266,919,369	
Compensated absences	7,135,654	
Load banking	365,848	
Capital leases	40,052	
Supplemental early retirement plan	2,278,068	
Aggregate net pension obligation	225,070,408	
Aggregate net OPEB liability	126,487,856	
Other long-term obligations	19,862,961	(648,160,216)
Total Net Position		**$ (139,094,715)**

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2018.

Schedule of Expenditures 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 the requirements of Title U.S. Code of Federal Regulations (Part 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimus cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The amount of expenditures presented for the Federal Perkins Loans program represents the balance of outstanding loans with the U.S. Department of Education with continuing compliance requirements at July 1, 2017. At June 30, 2018, the balance of outstanding loans was $1,746,865.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government, Statement of Changes in Net Position - Fiduciary Funds, and the related expenditures reported on the Schedule of Expenditures of Federal Awards:

Description	CFDA Number	Amount
Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position and Statement of Changes in Fiduciary Net Position		$ 21,327,441
Veterans Education	64.120	(1,409)
Federal Pell Grant Program Administrative Allowance	84.063	88,419
Federal Work-Study Program	84.033	(40,611)
Federal Perkins Loans	84.038	1,883,867
Total Expenditures of Federal Awards		$ 23,257,707

Schedule of Expenditures of State 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 Annual (Actual) Attendance

Full-Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds, including restricted categorical funding, are made to community college districts. This schedule provides information regarding the annual attendance measurements of students throughout the District.

Reconciliation of *Education Code* Section 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.

Proposition 30 Education Protection Account (EPA) Expenditure Report

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

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 Form CCFS-311 to the District's audited financial statements.

Reconciliation of Governmental Funds to the Statement of 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 government-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITOR'S REPORTS

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of San Francisco Community College District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did identify deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as items 2018-001 and 2018-002, to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 20, 2018.

San Francisco Community College District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses or Schedule of Findings and Questioned Costs and Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 20, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2018. The 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 the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004. Our opinion on each major Federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2018-003 and 2018-004, that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 20, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements as identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual* that could have a direct and material effect on each of the District's State programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 standards and procedures identified in the 2017-2018 California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 429 - Student Success and Support Program (SSSP), Finding 2018-005. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Unmodified Opinion for Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the State programs noted below that were audited for the year ended June 30, 2018, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment (CCAP and Non-CCAP)
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP) Funds
Section 430	Scheduled Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy Fund
Section 440	Intersession Extension Programs
Section 444	Apprenticeship Related and Supplemental Instruction (RSI) Funds
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Education Protection Account Funds

The District reports no Apportionment for Instructional Service Agreements/Contracts; therefore, the compliance tests within this section were not applicable.

The District did not offer an Intersession Extension Program; therefore, the compliance tests within this section were not applicable.

The District did not offer any To Be Arranged (TBA) Hours courses; therefore, the compliance tests within this section were not applicable.

The District did not receive any funding through Proposition 1D and 51 State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

Vavrinek Trine Day & Co LLP

Rancho Cucamonga, California
December 20, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of the Uniform Guidance?	Yes
Identification of major Federal programs:	

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268	Student Financial Assistance Cluster
84.048A	Career and Technical Education Act, Title I, Part C
84.048A	Career and Technical Education Transitions

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Qualified

Unmodified for all State programs except for the following State programs which were qualified:

Name of State Program
Section 429 - Student Success and Support Program (SSSP)

The following findings represent material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2018-001 Financial Condition of the District

Criteria or Specific Requirements

Pursuant to *Education Code* Section 84040, the Board of Governors is required to adopt criteria and standards for the periodic assessment of the fiscal condition of California community college districts. The main criteria for assessment will be the percentage of unrestricted General Fund balance to all expenditures and other outgo of unrestricted General Fund. The minimum prudent unrestricted General Fund balance is 5 percent for community colleges. This minimum prudent level is considered necessary to ease cash flow problems, to deal with unexpected cost increases, and other fiscal uncertainties. If a district falls below this minimum prudent level, further review will be performed to determine if any fiscal problems exist.

Condition

Material Weakness **-** For the fiscal year ending June 30, 2018, the District's unrestricted General Fund expenditures and other financing uses exceeded the District's revenues and other financing sources by $22,595,891. The District ended the 2017-2018 year with $13,713,905 in available reserves, which was comprised of unassigned balances held in the unrestricted General Fund. This amount represented 7.69 percent of the District's total expenditures and other financing uses. For the fiscal year ending June 30, 2019, the District's adopted budget includes an additional unrestricted General Fund deficit of $11,515,314.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's reserve balances and the District's adopted budget for the fiscal year ending June 30, 2019. For the fiscal year ending June 30, 2018, the District's unrestricted General Fund operating deficit caused a 48 percent decline in the unrestricted General Fund ending fund balance. Based on the District's adopted budget for the fiscal year ending June 30, 2019, the additional operating deficit projected for the unrestricted General Fund will cause an additional 48 percent decline in the unrestricted General Fund ending fund balance.

Effect

The District is in jeopardy of falling below the required reserves as stipulated by the Board of Governors.

Cause

The significant factors contributing to the District's condition include the following:

1) Heavy deficit spending that occurred in the current fiscal year within the unrestricted General Fund.
2) Decline in revenues cause by loss of stability funding in the 2016-2017 fiscal year.
3) Increasing cost of payroll and benefits.
4) High revenue projections included in the 2018-2019 budget do not appear feasible based on subsequent review of financial transactions.

Recommendation

The District must actively monitor its budget to actual results to ensure that the District can maintain adequate unrestricted General Fund reserves. More importantly, the District should develop a more aggressive fiscal management and budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan should incorporate adequate expenditure mitigation objectives that can create an additional layer of "cushion" beyond the minimum reserve requirement. This will allow the District to accommodate future uncertainties in operational variances without impairing the District's reserves.

Corrective Action Plan

The budget deficit and declining reserve balance were expected and planned given the end of the stability funding in the 2016-2017 year. The 2017-2018 year budget was created with an expected deficit balance as well, but reducing the size of the deficit from the 2016-2017 year to minimize the impact on the reserve balance, thus maintaining the minimum reserve of at least 5 percent of total expenditures. The ending 2017-2018 year balance will put the reserves at 5 percent of total expenditures with an excess of $1.79 million or 0.0096 percent of expenditures.

Beginning in fiscal years 2017-2018, the District is on restoration funding as part of the District's effort to restore FTES growth and revenue.

The District has reiterated to all staff to be diligent in monitoring and managing their budgets. The Finance Division has been especially active in identifying potential savings to allow adherence to the 2018-2019 year Adopted Budget.

Class scheduling and course offerings have been restructured to respond to demand and maximizing FTES per class, thus increasing potential revenue. A marketing campaign has been designed to attract students and increase FTES.

On the expense side, the District is addressing the high cost of part time employees by restructuring the class schedule, analyzing and reducing that cost through identified efficiencies, improving the position control process, and offering a Supplemental Employee Retirement Program to establish no less than a balanced budget for fiscal years 2019-2020 and beyond. Other expense accounts are also being analyzed for more aggressive expense management. Budget monitoring and training will be part of the corrective action for all employees of the District, as well as the existence of a Budget Committee as part of a shared governance structure.

2018-002 Load Banking

Criteria or Specific Requirements

The District offers load banking to eligible faculty employees whereby the employee may teach extra courses in one period in exchange for time off in another period. If the employee retires or is terminated before they utilize their accrued load baking balance, the District will pay the employee for the equivalent amount. The District records a long-term liability for this load banking balance.

Condition

Material Weakness - For the fiscal year ending June 30, 2018, the District's load banking balance included a deficit amount owed from faculty employees. In essence, faculty employees did not teach or taught less than required for a full-time faculty, but were paid their full salary without having an adequate balance in their load banking account.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified during the review of the District's detailed load banking balances.

Effect

The District has spent funds for faculty employees, but did not receive the services from the employee.

Cause

The cause appears to be lack of monitoring and oversight of the faculty employee load banking balance and requests.

Recommendation

The District should implement procedures to ensure no faculty employee utilizes more paid leave than they have accrued in their load banking balance. Additionally, the District should work with faculty employees to plan when they will teach extra courses to eliminate their deficit load banking balance.

Corrective Action Plan

Several steps are being taken to better monitor faculty load banking:

The District is currently undergoing a Faculty Load Balance Reconciliation process. This long-standing process has been improved by requiring faculty sign off on not only the workload for the semester, but also for the load balance carried forward. Corrective steps have been identified and shared to adjust balances that do not reflect accurate workload accumulations.

Department chairs will be adjusting faculty assignments in upcoming semesters to address large positive or negative balances, bring all faculty to within -0.20 and +0.20 full-time equivalent faculty (FTEF).

The Office of Instruction will be identifying faculty with load balances that are outside of the recommended +/-0.20 FTEF. This information will be forwarded to appropriate deans for assignment adjustments.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

The following findings represent significant deficiencies and/or instances of noncompliance including questioned costs that are required to be reported by the Uniform Guidance.

2018-003 Reporting - Common Origination and Disbursement (COD) Reporting

Program Name: **Student Financial Assistance Cluster**
CFDA Number: **84.007, 84.033, 84.038, 84.063, 84.268**
Federal Agency: **U.S. Department of Education (ED)**

Criteria or Specific Requirement

OMB Compliance Supplement, OMB No. 1845-0039 – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System. Schools submit Pell origination records and disbursements records to the COD. Institutions must report student payment data within 15 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition

Significant Deficiency - For seven of the forty students tested, the District reported disbursement data to COD more than 15 calendar days after the disbursement date. In these cases, it appears that the District did not perform timely follow-up procedures on student data that was rejected by COD upon submission by the District.

Questioned Costs

There are no questioned costs associated with the noncompliance.

Context

The District disbursed PELL and Direct Loans to approximately 4,080 students during the 2017-2018 year. COD reporting is required for each individual disbursement to a student.

Effect

The District is not in compliance with Uniform Guidance requirements.

Cause

The District did not follow up on student files that were rejected by COD on a timely basis.

Repeat Finding: No

Recommendation

The District should implement review procedures to verify that all information is properly reported and in compliance with Federal guidelines.

Corrective Action Plan

Financial Aid was a customized process prior to the 2018-2019 year. As part of the upgrade and migration to Banner 9, the process also changed to the system baseline process, which allows for performing weekly reconciliations and a streamlined business process for reviewing COD rejected files in a timely manner to ensure compliance.

2018-004 Special Tests and Provisions - Return to Title IV

Program Name: **Student Financial Assistance Cluster**
CFDA Number: **84.007, 84.033, 84.038, 84.063, 84.268**
Federal Agency: **U.S. Department of Education (ED)**

Criteria or Specific Requirement

34 CFR Section 668.173(b):

Return of Title IV funds are required to be deposited or transferred into the Student Financial Assistance (SFA) account or electronic funds transfer initiated to ED as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew, or the date on the cancelled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew.

34 CFR section 668.22(j):

An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program from which the student withdrew.

Condition

Significant Deficiency **-** The District did not determine the withdrawal date within 30 days of the end of the payment period. In addition, the District's portion of the Return to Title IV funds were not returned within the 45 day requirement. In 23 out of 25 Return to Title IV calculations tested, the District did not determine the withdrawal date for the student within 30 days of the end of the payment period. Additionally, in 11 out of 25 calculations tested, funds were not returned to ED within 45 days.

Questioned Costs

There are no questioned costs associated with this finding. The District did calculate and return the required funds to ED.

Context

The District performed 202 Return to Title IV calculations during the 2017-2018 year.

Effect

The District is not in compliance with 34 CFR Section 668.173(b) and 34 CFR Section 668.22(j).

Cause

The District's internal controls associated with the Return to Title IV procedures failed to ensure that withdrawal determinations are performed timely and all required funds were returned in a timely manner.

Repeat Finding: No

Recommendation

The District should develop procedures to ensure that the student withdrawal determinations occur within 30 days from the end of the payment period. In addition, the District should strengthen procedures to ensure that the required funds are returned to ED within 45 days from the withdrawal determination date.

Corrective Action Plan

Financial Aid Return to Title IV (R2T4) was a customized process prior to the 2018-2019 year. As part of the upgrade and migration to Banner 9, the process also changed to the system baseline process, which involves using integrated and shared departmental information within the system. This, along with a more streamlined overall internal R2T4 business process, is now allowing the District and Financial Aid to begin processing R2T4 records 30 days after the beginning of a semester, in order to ensure compliance.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The following finding represents an instance of noncompliance and/or questioned costs relating to State program laws and regulations.

2018-005 429 - Student Success and Support Program

Criteria or Specific Requirement

Per title 5, section 55511, Core SSSP services for credit and noncredit programs that are claimable against State funds include: Orientation, Assessment for placement, Counseling, advising, and education planning, Follow-up services for at risk students, and Other services.

Condition

Services provided to, or received by, students in the 2018 fiscal year were reported as such by the District. These services were not supported by appropriate documentation.

Questioned Costs

Three out of twenty-five or four percent of students tested did not have adequate documentation to support the services that the District claimed to have provided. The District reported a total of 69,892 services for the 2018 academic year. Extrapolated, this equates to 8,387 students.

Context

The District reports student count information to the State based on the number of services provided to students. The District reported a total of 69,892 students served.

Effect

Based on the extrapolation of the error rate (12 percent), supporting documents for 8,387 students served are at risk of being noncompliant.

Cause

The District's policies and procedures were not followed by District personnel, and student services records were not adequately maintained and documented.

Recommendation

The District should ensure that supporting records are maintained for all students served.

Corrective Action Plan

Correction plan is to make sure all student plans will be present in the files and follow up activities will be outlined.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

2017-001 429 - Student Success and Support Program

Criteria or Specific Requirement

Per title 5, section 55511, Core SSSP services for credit and noncredit programs that are claimable against State funds include: Orientation, Assessment for placement, Counseling, advising, and education planning, Follow-up services for at risk students, and Other services.

Condition

Services provided to, or received by, students in the 2017 fiscal year were reported as such by the District. These services were not supported by appropriate documentation.

Questioned Costs

One out of twenty-five or four percent of students tested did not have adequate documentation to support the services that the District claimed to have provided. The District reported a total of 57,717 services for the 2017 fiscal year. Extrapolated, this equates to 2,309 students.

Context

The District reports student count information to the State based on the number of services provided to students. The District reported a total of 57,717 students served.

Effect

Based on the extrapolation of the error rate (four percent), supporting documents for 2,309 students served are at risk of being noncompliant.

Cause

The District's policies and procedures were not followed by District personnel, and student services records were not adequately maintained and documented.

Recommendation

The District should ensure that supporting records are maintained for all students served.

Current Status

Not implemented. See current year finding 2018-005.