SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2013

FINANCIAL SECTION

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' 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 of San Francisco Community College District (the District) as of and for the year ended June 30, 2013, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in the Notes to the basic financial statements, the accompanying financial statement reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. 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 the Schedule of Other Postemployment Benefits (OPEB) Funding Progress on page 53 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 supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013, 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 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 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

Pleasanton, California
December 31, 2013

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, 2013. 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 entity-wide financial statements present the overall results of operations whereby all of the District's activities are consolidated into one total versus the historic presentation by fund type. The focus of the Statement of Net Position is in on assets, liabilities, and the difference between these two measurement groups and is reported as of June 30, 2013. This statement combines and consolidates current financial resources with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Change in Net Position focuses on the costs of the District's operational activities with revenues and expense categorized as operating and no-operating, and expenses reported by natural classification for fiscal period July 1, 2012 and through June 30, 2013. 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, 2012 through June 30, 2013. Certain reclassifications have been made to prior years' balances to conform to classifications used in 2012.

During Fiscal year 2013, the District earned $91.365 million in State Apportionment. The apportionment includes $23.965 in Education Protection Act Funds. Sales tax revenue increased by $1.075 million, or 6.8 percent. Non-resident tuition decreased by $0.242 million dollars, or 1.0 percent, over the prior year. Lottery income decreased by about $1.989 million, or 30.10 percent, over the prior year. Non-capital grants and contracts decreased by $3.473 million or 4.6 percent and local property taxes decreased by $0.587 million or 1.8 percent.

Salaries and fringe benefit expenses decreased over the prior year in the amount of $17.644 million or 8.0 percent. Of this amount, $14.686 million represented salaries decrease and the remainder in the amount of represents decreases in employee benefit expenses. The combined salaries and fringe benefit expense decrease includes the accrued and unfunded expenditure for the District's Other Postemployment Benefits (OPEB) and the effects of the District negotiated salary and benefits reductions, attrition and specific wage reductions.

The District's Unrestricted Net Position increased by $28 thousand, or 0.1 percent, over the prior year. Unrestricted Net Position went from a deficit $45.303 million at the end of the fiscal year 2012 to $45.275 million at the end of fiscal year 2013.

Total Net Position, which combines Restricted, Invested, and Unrestricted categories, experienced a net decrease of $16.7 million over the prior year.

ANALYSIS OF NET POSITION - FISCAL 2013

The Statement of Net Position (which follows below) can serve as a useful indicator of a government agency's financial position. The District's total assets exceeded liabilities by $135.365 million at the end of fiscal year 2013. Of this amount, a deficit of ($45.275) million is unrestricted. The following comparative Statement of Net Position schedule compares the past two years and is based on the business-type activities model.

THE DISTRICT AS A WHOLE

Net Position

Table 1

(Amounts in thousands)	2013	2012	Dollar Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash, and short term receivables	$ 54,659	$ 74,717	$ (20,058)	-26.8%
Inventory and prepaid expenses	1,426	1,332	94	7.1%
Total Current Assets	56,085	76,049	(19,964)	-26.3%
Non-Current Assets				
Restricted cash and investments	64,116	67,727	(3,611)	-5.3%
Other non-current assets	12,240	12,344	(104)	-0.8%
Capital assets, net of depreciation	469,059	490,364	(21,305)	-4.3%
Total non-current assets	545,415	570,435	(25,020)	-4.4%
Total Assets	601,500	646,484	(44,984)	-7.0%
LIABILITIES				
Current Liabilities				
Deficit cash and investments	24,328	36,794	(12,466)	-33.9%
Accounts payable and accrued liablities	9,867	18,813	(8,946)	-47.6%
Deferred revenue	3,735	3,693	42	1.1%
Long-term liabilities - current portion	22,441	22,342	99	0.4%
Total Current Liabilities	60,371	81,642	(21,271)	-26.1%
Non-Current liabilities				
Long-term liabilities	405,764	412,766	(7,002)	-1.7%
Total non-current liabilities	405,764	412,766	(7,002)	-1.7%
Total Liabilities	466,135	494,408	(28,273)	-5.7%
NET POSITION				
Invested in capital assets	171,567	186,383	(14,816)	-7.9%
Restricted	9,073	10,996	(1,923)	-17.5%
Unrestricted	(45,275)	(45,303)	28	-0.1%
Total Net Position	$ 135,365	$ 152,076	$ (16,711)	-11.0%

For the year ended June 30, 2013, Total Net Position decreased by $16.6 million or 11.0 percent. All of this is the result of current year fiscal activities.

Total Current Asset decreased $19.964 million over the prior year. Cash and short-term receivables decreased over the prior year by $20.058 million, or 26.8 percent. Individual component changes are as follows: Cash and investments decreased over the prior year by $7.456 million while state and local accounts receivables decreased by $13.423 million or 23.4 percent. The student receivable increased by $1.997 million or 65.7 percent over 2012. Notes receivable (Mission note) were collected in the amount of $1.250 million in this fiscal year. Inventories and prepaid assets were virtually unchanged on a net basis, $0.251 million. However an increase in prepaid assets in the amount of $1.191 million over the prior year mainly representing prepaid of PERS and Health Insurance was offset by $0.939 million of inventory liquidations directly related the Bookstore's conversion to contract management by Follett. Finally, other assets - current portion represents the District's lending to the Employee's Short-term disability trust fund, $75.0 thousand.

Non-current Assets decreased $25.020 million or 4.4 percent over the prior year. The main items comprising the net change are a decrease in restricted cash and investments in the amount of $3.611 million or 5.3 percent over the prior year. Capital assets, non-depreciable and depreciable, arising out of the activities in the District Capital improvement program, experienced a combined decrease in the amount of $21.307 million or 4.3 percent over prior year. These reductions are the result of the increased depreciation expense of the Chinatown building.

Total current liabilities decreased by $21.271 million or 26.1 percent. Accounts payable and accrued liabilities decreased $8.946 million or 47.6 percent. Of this amount, $8.894 million represents a decrease related to construction payables. The District received deferred state apportionment payments in July, August and October totaling $35.56 million dollars. As a result the district was able to reduce its accounts payable and Deficit in cash and cash equivalents by $21.413 million dollars. Deferred revenue slightly increased by $0.042 million or 1.1 percent over 2012.

The remaining current portion of long-term liabilities, which are amounts due within the current fiscal year increased $0.099 million or 0.44 percent. Components that comprise the change are: a decrease in compensated absences for classified, faculty and administrative personnel of $0.719 million, a $0.137 million increase in claims liability, a $0.046 million decrease in bonds premiums, an increased $0.640 million on scheduled Bond payments, and an increase of $.087 million of capital leases.

Non-current liabilities decreased $7.002 million, or 1.7 percent. General Obligation Bonds payable decreased $15.180 million dollars as a result of scheduled coupon payments funded through property taxes. Unamortized bond premium in the amount of $1.176 million decreased over prior year. Compensated absences for classified and administrator decreased $1.417 million or 21.3 percent while banked overload for faculty increased $0.420 million or 47.8 percent. Claims payable (mainly workers compensation) increased $0.288 million or 7.1 percent. Capital leases increased $0.209 million or 51.4 percent.

Other long term liabilities increased $9.856 million, or 21.7 percent of the prior year. This increase is almost entirely due to the accrued unfunded portion of the OPEB obligation ($9.956). Of this amount $55.108 million represents the unpaid portion of other postemployment benefits since 2009; the District contributed $6.942 million towards the District's 2013 annual required contribution of $16.590 million.

Within the net position of the District are certain amounts restricted for specific purposes. Educational programs restricted balances were virtually unchanged and amounted to $3.05 million at the end of the fiscal year. Examples of Educational Program fund balances reported in this category are Federal programs, like the National Science Foundation grants, and any balance remaining in a state categorical and other legally restricted amounts dedicated for educational programs and purposes.

Student Financial Aid restricted balances remains virtually unchanged at $3.554 million. These fund balances are only available for Financial Aid programs.

Capital projects restricted balances decreased $1.441 million or 36.8 percent over the prior year balance. The source of the decrease is due to the collection of state and local capital grant receivables during the fiscal year. These fund balances are only available for Capital Projects.

ANALYSIS OF STATEMENT OR REVENUES, EXPENSES, AND CHANGE IN NET POSITION

The following comparative Statement of Revenues, Expenses, and Change in Net Position presents the operating results of the District, as well as the non-operating revenues and expenses. Annual State appropriations (apportionments), while budgeted for operations, are considered non-operating 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 18.

Table 2

(Amounts in thousands)	2013	2012	Dollar Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	$ 23,667	$ 23,897	$ (230)	-1.0%
Auxiliary services and other	6,715	6,868	(153)	-2.2%
Total Operating Revenues	30,382	30,765	(383)	-1.2%
Operating Expenses				
Salaries and benefits	202,947	220,591	(17,644)	-8.0%
Supplies and maintenance	33,280	32,825	455	1.4%
Student financial aid	42,634	48,822	(6,188)	-12.7%
Depreciation	38,991	36,151	2,840	7.9%
Total Operating Expenses	317,852	338,389	(20,537)	-6.1%
OPERATING LOSS	(287,470)	(307,624)	20,154	-6.6%
NON-OPERATING REVENUES AND (EXPENSES)				
State apportionments	91,365	100,684	(9,319)	-9.3%
Grants and contracts	71,532	75,004	(3,472)	-4.6%
Local property taxes	45,373	45,448	(75)	-0.2%
Taxes levied for other specific purposes	31,073	31,585	(512)	-1.6%
Local taxes and other revenues	16,889	15,814	1,075	6.8%
Other state revenue	5,776	12,669	(6,893)	-54.4%
Investment income (net)	1,015	1,086	(71)	-6.5%
Interest expense on capital asset - related debt	(14,525)	(16,668)	2,143	-12.9%
Transfer from fiduciary fund	613	-	613	100.0%
Transfer to fiduciary fund	(372)	256	(628)	-245.3%
Other nonoperating revenues	8,327	6,730	1,597	23.7%
Total nonoperating revenues	257,066	272,608	(15,542)	-5.7%
Loss before capital revenues	(30,404)	(35,016)	4,612	-13.2%
CAPITAL REVENUES				
State grant and contracts	1,780	2,982	(1,202)	-40.3%
Local property taxes and revenues	4	423	(419)	-99.1%
Total other revenues	1,784	3,405	(1,621)	-47.6%
Increase (Decrease) in Net Position	(28,620)	(31,611)	2,991	-9.5%
Net Position, Beginning of Year	152,075	183,686	(31,611)	-17.2%
Restatement	11,910	-	11,910	100.0%
NET POSITION, END OF YEAR, RESTATED	$ 135,365	$ 152,075	$ (16,710)	-11.0%

Tuition and fees net of scholarships and allowances decreased $0.230 million or 1 percent over 20122. Auxiliary revenue is comprised of the bookstore and cafeteria net revenues. A bookstore is located within each of the seven main college campus locations. Bookstore revenue decreased $0.304 million in 2013 when compared to 2012 or 5.1 percent. This is the third consecutive year on year decrease. In December 2013, the Board of Trustees approved modification to the Bookstore Master agreement and approved actions by the Bookstore Auxiliary Board of Trustees to enter into a 5 year contract with Follett Higher Education Group to run all of the Colleges bookstores operations. The contract began April 1, 2013.

Cafeterias, which provide services to the students and faculty of the college and operate as working labs, are located at two campus locations. Vending services are located at all campus sites. Cafeteria revenue decreased slightly from $ 0.945 million in 2012 to $0.874 million in 2013, the net sales revenue for the Cafeteria is $0.353 million (sales minus cost of goods sold).

Consolidated operating expenses decreased by $20.537 million over the prior year. Salaries decreased $14.686 million or 9.6 percent over the prior year and the reduction was primarily achieved due to a District negotiated wage reductions and attrition. Employee Benefits decreased $2.958 million or 4.4 percent, because the employees share of increased costs of benefits increased and because there were savings from negotiated wage reductions and attrition. The District's OPEB payments for the fiscal year ended 2013, were $6.942 million. The comparable payment for fiscal year ending 2012, which was $7.244 million, a $0.302 million dollar decrease, or a 4.17 percent increase over the prior year.

Supplies, maintenance, utilities, and other operating expenses and services increased slightly $0.455 million or 1.4 percent. Depreciation, a non-cash expenditure, increased $2.840 million or 7.9 percent. Asset retirements and their associated adjustment for depreciation are included in this category.

Total non-operating revenues decreased by $15.540 million or 5.7 percent over 2012. Pell Grants, a direct pass-thru to students, and other Federal grants decreased $7.874 million or 12.72 percent over the prior year. State grants and apportionment decreased by $4.919 million or 4.32 percent over 2012. Local property tax revenues have a slight decreased of $0.075 million or 0.2 percent. Local taxes and other revenues increased $1.075 million or 6.8 percent. Tax levied for other specific purposes has a slight decrease of $0.512 million. Other changes include decrease of other state revenue of $6.893 million offset by interest expense savings of $2.143 million and increase of non-operating revenue of $1.468 million from prior year.

Capital revenues decreased $1.622 million or 47.6 percent over the prior year. State grant have a decrease of $1.202 million or 40.3 percent, this is due to completion of the Chinatown State funded projects. All capital revenues are restricted in nature for specific capital programs and projects.

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:

2013

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 84,796,094	$ 5,049,000	$ -	$ 290,194	$ -	$ 90,135,288
Academic support	38,582,173	370,078	-	36,716	-	38,988,967
Student services	8,828,813	234,666	-	86,983	-	9,150,462
Plant operations and maintenanc	26,400,625	1,037,151	-	128,327	-	27,566,103
Instructional support services	8,599,856	2,689,776	-	976,927	-	12,266,559
General Institutional Support services	28,681,846	7,409,653	-	1,239,342	-	37,330,841
Community services and economic development	1,320,718	642,522	-	7,620	-	1,970,860
Auxiliary Services & Auxiliary Operations	5,736,529	5,783,828	-	130,718	-	11,651,075
Physical Property and Related Acquisitions	-	7,166,834	-	-	-	7,166,834
Student aid	-	-	42,634,277	-	-	42,634,277
Depreciation expense	-	-	-	-	38,990,945	38,990,945
Total expenses	$ 202,946,655	$ 30,383,508	$ 42,634,277	$ 2,896,827	$ 38,990,945	$ 317,852,212

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:

2012

	Salaries	Employee Benefits	Supplies, Material, and Other Expenses and Services	Student Aid	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$ 70,503,404	$ 30,571,180	$ 5,320,170	$ -	$ 156,072	$ -	$ 106,550,826
Academic support	7,110,135	3,209,964	172,086	-	66,004	-	10,558,189
Student services	19,998,543	9,028,604	782,100	-	72,361	-	29,881,608
Plant operations and maintenance	6,920,655	3,124,420	3,166,851	-	933,668	-	14,145,594
Instructional support services	20,914,428	9,442,092	8,875,797	-	417,057	-	39,649,374
Gerneral Institutional Support Services	21,276,441	8,434,767	654,977	-	5,812		30,371,997
Community services and economic development	1,056,710	477,065	642,860	-	3,489	-	2,180,124
Auxiliary Services & Auxilliary Operations	4,999,854	2,257,388	5,721,040	-	69,699	-	13,047,981
Physical property and related acquisitions	462,664	208,875	4,161,539	-	24541	-	4,857,619
Student aid	408,785	184,552	1,578,749	48,822,385	-	-	50,994,471
Depreciation Expense	-	-	-	-	-	36,151,333	36,151,333
Total expenses	$ 153,651,619	$ 66,938,907	$ 31,076,169	$ 48,822,385	$ 1,748,703	$ 36,151,333	$ 338,389,116

CAPITAL ASSETS

The capital assets of the District as of June 30, 2013, amounted to a total of $469.059 million. (See Note 6 - Capital Assets in the financial statements page 35 for a listing of asset class). Of this amount, the non-depreciable portion, composed of land and construction in progress, was $56.210 million or 7.81 percent. Depreciable capital assets, totaled $663.938 million or 92.20 percent. Total accumulated depreciation was $251.089 million, resulting in net depreciable capital assets of $469.059 million.

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. Non-depreciable assets experienced a net decrease of $0.999 million, which comprise of an adjustment to the District's land inventory value of $1.425 million and a decrease construction in progress of $0.998 million. The Construction in Progress decrease is due to the additional construction completion and placement in service of the Chinatown/North Beach campus and practice field. Depreciable assets placed in service (additions less disposals) increased $6.775 million or 1.0 percent. Depreciation expense amounted to $38.990 million for the year. Outstanding construction commitments as of June 30, 2013, were $3.81 million.

San Francisco taxpayer's approved in November 2001 of $195.0 million in Proposition A Education Facilities Improvement Bonds. In November 2005, San Francisco taxpayer's approved in an additional $246.3 million authorization in Proposition A Bonds. As of June 30, 2013, 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 over approved projects.

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. 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.

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.

When the District needs to borrow short-term funds the District utilizes short-term instruments called Tax Revenue Anticipation Notes (TRAN). When necessary, these funds are used to bridge cash flows until property taxes are remitted from the County and City of San Francisco, and more recently to backfill for State deferrals. On July 26, 2011, the District issued $49,610,000 million of Tax Revenue Anticipation Notes bearing interest at 2.50 percent Interest and principal in the amount of $50,163,151.50 million were repaid on Jun 25, 2013.

The District did not need to participate in a Tax Revenue Anticipation Notes (TRANS) for fiscal year 2014 because the State remitted over $35.56 million related to State cash deferrals to the college, Education Protection Act funds and the current year apportionment payment, which is $8.509 more than the payments during 2012. The District also reduced operating cost of $20.639 million over 2012.

In November 2004, 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 reaming 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.

Subsequent to fiscal year end 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- an moved the District from its "negative watch" category to a "negative outlook" category. Fitch noted that the District local parcel tax would relieve fiscal pressure by providing $16.0 million in new funding per year for eight consecutive years. 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.

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 81.38 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 from local sales taxes, 9.41 percent; lottery, 2.07 percent; non-resident tuition, 4.83 percent; and other revenues, 2.3 percent.

The District reduced planned spending and made conservative revenue assumptions for all major sources of funding for fiscal year 2012-2013 to work within a reduced level of State and local revenue during the current economic recovery. These actions included mid-year reductions in compensation for employees and restrictions on hiring. The District's finance team actively monitors both revenues and expenditures to ensure that prompt actions are taken in response to developments as they occur.

Subsequent to fiscal year-end, voters passed the State Proposition 30 ballot initiative. In San Francisco voters passed a local parcel tax, measure A. The value of proposition 30 funds in the 2013-14 budget year are $15.2 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. Measure A funding will make it possible for the District to rebuild its Board designated reserves and address its employer share of post-employee benefits liabilities

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

With the implementation of GASB 34, capital assets are reported at historical cost. With the implementation of GASB 62, the District reinstated $10.921 million dollars of capitalized interest to the Building and improvement asset cost.

Table 5

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 57,209	$ 1,602	$ 2,601	$ 56,210
Buildings and improvements	628,852	4,349	-	633,201
Equipment and vehicles	28,311	2,426	-	30,737
Subtotal	714,372	8,377	2,601	720,148
Accumulated depreciation	(212,098)	(38,991)	-	(251,089)
	$ 502,274	$ (30,614)	$ 2,601	$ 469,059

Obligations

The major changes for the District's long-term obligations are the increase of the Other Post-Employment Benefits of $9.956 million, 22.05 percent compared to prior year, offset by the decrease of $2.137 million or 17.44 percent of employee compensated absences.

Table 6

(Amounts in thousands)

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 371,195	$ -	$ 15,763	$ 355,432
Other liabilities	63,913	21,599	12,739	72,773
Total Long-Term Debt	$ 435,108	$ 21,599	$ 28,502	$ 428,205
Amount due within one year				$ 22,441

BUDGETARY HIGHLIGHTS

The Final Annual Budget for Fiscal year 2012-2013 was passed by the Board on September 11, 2012. The Unrestricted Budget included Revenues and Resources totaling $186,572,236 and Expenditures and transfers out of $186,572,237. The Budget was balanced. Actual unrestricted fund operating revenues and transfers-in were $180,377,732 and expenditures and transfers-out were $180,164,317. Annual operations were balanced. The reduction in actual revenue resulted from a decline in enrollment and the reduction in expenditures were achieved through mid-year wage and salary reductions.

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, 2013

ASSETS	
Current Assets	
Cash and cash equivalents	$ 3,592,248
Investments	1,961,915
Accounts receivable, net	43,995,083
Student loans receivable, net	5,034,475
Due from other funds	75,000
Prepaid expenses - current portion	1,378,016
Inventories	47,893
Total Current Assets	56,084,630
Noncurrent Assets	
Restricted cash and cash equivalents	64,115,744
Prepaid expenses - noncurrent portion	9,800,000
Deferred charges	2,440,443
Nondepreciable capital assets	56,209,915
Depreciable capital assets, net of depreciation	412,849,370
Total Noncurrent Assets	545,415,472
TOTAL ASSETS	601,500,102
LIABILITIES	
Current Liabilities	
Deficit cash and cash equivalents	24,327,522
Accounts payable	9,866,908
Deferred revenue	3,734,655
Compensated absences payable - current portion	4,880,546
Claims liability - current portion	919,000
Bonds payable - current portion	16,356,934
Lease obligations - current portion	184,468
Other long-term obligations - current portion	100,000
Total Current Liabilities	60,370,033
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	5,235,163
Bank overload	1,300,918
Claims liability - noncurrent portion	4,337,823
Bonds payable - noncurrent portion	339,075,316
Lease obligations - noncurrent portion	614,253
Other postemployment benefits obligation	55,107,896
Other long-term obligations - noncurrent portion	93,025
Total Noncurrent Liabilities	405,764,394
TOTAL LIABILITIES	466,134,427
NET POSITION	
Invested in capital assets	171,567,467
Restricted for:	
Debt service	3,049,941
Capital projects	2,469,971
Educational programs	3,553,514
Unrestricted	(45,275,218)
TOTAL NET POSITION	$ 135,365,675

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, 2013

OPERATING REVENUES	
Student Tuition and Fees	$ 38,070,503
Less: Scholarship discount and allowance	(14,403,484)
Net tuition and fees	23,667,019
Auxiliary Enterprise Sales and Charges	
Bookstore	5,488,016
Cafeteria	873,665
Other revenue	353,187
TOTAL OPERATING REVENUES	30,381,887
OPERATING EXPENSES	
Salaries	138,965,531
Employee benefits	63,981,124
Supplies, materials, and other operating expenses and services	30,383,508
Student financial aid	42,634,277
Equipment, maintenance, and repairs	2,896,827
Depreciation	38,990,945
TOTAL OPERATING EXPENSES	317,852,212
OPERATING LOSS	(287,470,325)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	91,365,291
Local property taxes, levied for general purposes	45,373,473
Taxes levied for other specific purposes	31,073,110
Local sales tax	16,888,877
Federal grants	54,047,736
State grants	17,481,659
State taxes and other revenues	5,776,106
Investment income	1,015,184
Interest expense on capital related debt	(14,524,624)
Transfer from fiduciary funds	613,437
Transfer to fiduciary funds	(371,881)
Other nonoperating revenue	8,328,846
TOTAL NONOPERATING REVENUES (EXPENSES)	257,067,214
LOSS BEFORE OTHER REVENUES	(30,403,111)
State revenues, capital	1,780,024
Local revenues, capital	3,754
TOTAL OTHER REVENUES	1,783,778
CHANGE IN NET POSITION	(28,619,333)
NET POSITION, BEGINNING OF YEAR, RESTATED	163,985,008
NET POSITION, END OF YEAR	$ 135,365,675

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 21,354,015
Payments to vendors for supplies and services	(45,315,300)
Payments to or on behalf of employees	(194,382,780)
Payments to students for scholarships and grants	(42,776,814)
Auxiliary enterprise sales and charges:	
Bookstore	5,488,016
Cafeteria	873,665
Other operating receipts (payments)	353,187
Net Cash Flows From Operating Activities	(254,406,011)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	107,795,828
Local property taxes	45,373,473
Sales taxes	18,851,124
Federal grants	53,249,799
State grants	13,727,112
State taxes and other revenues	5,776,106
Agency fund receipts	241,556
Other nonoperating	9,680,531
Net Cash Flows From Noncapital Financing Activities	254,695,529
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(4,733,334)
State revenue, capital projects	1,780,024
Local revenue, capital projects	3,754
Property taxes - related to capital debt	31,073,110
Principal paid on capital debt	(15,466,532)
Interest paid on capital debt	(14,524,624)
Net Cash Flows From Capital Financing Activities	(1,867,602)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	1,015,184
Net Cash Flows From Investing Activities	1,015,184
NET CHANGE IN CASH AND CASH EQUIVALENTS	(562,900)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,943,370
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 43,380,470

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

RECONCILIATION OF NET OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	$ (287,470,325)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	38,990,945
Changes in Assets and Liabilities:	
Receivables	13,423,270
Student receivables	(1,996,815)
Inventories	939,607
Prepaid expenses	1,510,624
Notes receivables, net	(1,250,000)
Accounts payable and accrued liabilities	(18,595,013)
Deferred revenue	41,696
Total Adjustments	33,064,314
Net Cash Flows From Operating Activities	$ (254,406,011)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 3,592,248
Cash in county treasury	39,788,222
Total Cash and Cash Equivalents	$ 43,380,470
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 5,049,382

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013

ASSETS	
Investments	$ 7,195,913
Accounts receivable, net	215,285
Fixed assets	1,775
Total Assets	7,412,973
LIABILITIES	
Accounts payable	8,557
Due to other funds	75,000
Deferred revenue	54,344
Due to student groups	(500)
Total Liabilities	137,401
NET POSITION	
Unreserved	7,275,572
Total Net Position	$ 7,275,572

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

ADDITIONS	
Local revenues	$ 1,839,549
DEDUCTIONS	
Classified salaries	180,385
Employee benefits	112
Books and supplies	60,645
Services and operating expenditures	371,334
Capital outlay	103,847
Total Deductions	716,323
OTHER FINANCING SOURCES (USES)	
Operating transfers in	371,881
Operating transfers out	(613,437)
Other uses	(1,043,935)
Total Other Financing Sources (Uses)	(1,285,491)
Change in Net Position	(162,265)
Net Position - Beginning	7,437,837
Net Position - Ending	$ 7,275,572

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, and the following component units: The District has no component units.

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 and No. 38. This presentation provides a comprehensive entity-wide perspective of the District's assets, liabilities, activities, and cash flows and replaces the fund group perspective previously required. 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 auxiliary activities through the bookstore and cafeteria.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include State apportionments, property taxes, certain Federal and State 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 grants and entitlements 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 District reports are based on all applicable GASB pronouncements, as well as applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The District has not elected to apply FASB pronouncements after that date.

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 and No. 38. 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. Restricted cash and cash equivalents represent balances restricted by external sources such as grants and contracts or specifically restricted for the repayment of capital debt.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2013, 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.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent investments required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

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 $2,375,280 for the year ended June 30, 2013.

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 entity-wide financial statements.

Deferred Issuance Costs, Premiums, and Discounts

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

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 entity-wide financial statements. The amounts have been recorded in 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.

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.

Deferred Revenue

Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred 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.

Current Loans

Current loans consist of amounts outstanding at June 30, 2013, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

Noncurrent Liabilities

Noncurrent liabilities include bonds and notes payable, compensated absences, claims payable, capital lease obligations and OPEB obligations 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:

Invested in Capital Assets, Net of Related Debt: 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 – net of related debt.

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.

None of the District's restricted net position has resulted from enabling legislation adopted by the District.

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.

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.

Board of Governors Grants (BOGG) and Fee Waivers

Student tuition and fee revenue is reported net of allowances and fee waivers approved by the Board of Governors through BOGG fee waivers 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. To the extent that fee waivers have been used to satisfy tuition and fee charges, the District has recorded a scholarship discount and allowance.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, 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 the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the related *Compliance Supplement*.

On Behalf Payments

GASB Statement No. 24 requires direct on behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees for another legally separate entity be recognized as revenues and expenditures by the employer entity. The State of California makes direct on behalf payments to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) on behalf of all community colleges in California. The California Department of Education has issued a fiscal advisory instructing districts not to record the revenue and expenditures for the on behalf payments within the funds and accounts of a district. The amount of the on behalf payments made for the District for the year ended June 30, 2013, was $5,049,382 for CalSTRS. This amount is reflected in the District's audited financial statements.

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 entity-wide financial statements.

Changes in Accounting Principles

In March 2012, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 establishes standards of financial accounting and reporting for capitalizing interest cost as a part of the historical cost of acquiring certain assets. For the purposes of applying this Statement, interest cost includes interest recognized on obligations having explicit interest rates and interest imputed on certain types of payables, as well as interest related to capital leases. The District has implemented the provisions of this Statement for the year ended June 30, 2013. See Note 15 for more information.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

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

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes, but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. 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

Summary of Deposits and Investments

Deposits and investments of the Primary Government as of June 30, 2013, consist of the following:

Primary Government cash and cash equivalents	$ 43,380,470
Fiduciary cash and cash equivalents	7,195,913
Investments	1,961,915
Total Deposits and Investments	$ 52,538,298

Deposits and investments of the Fiduciary Funds as of June 30, 2013, consist of the following:

Cash on hand and in banks	$ 11,206,621
Cash with fiscal agent	210,743
Investments	41,120,934
Total Deposits and Investments	$ 52,538,298

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by Primarily County pool.

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 investment by maturity:

Investment Type	Fair Value	Days to Maturity
County Pool	$ 41,120,934	880

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 County pool is not required to be rated, nor has it been rated as of June 30, 2013.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2013
County Pool - San Francisco County	$ 41,120,934	Not required	Not rated

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, 2013, approximately $13,000,000 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 - ACCOUNTS RECEIVABLE

Accounts receivable for the District consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable as of June 2013 are as follows:

Federal Government	
Categorical aid	$ 6,861,466
State Government	
Apportionment	26,059,392
Categorical aid	1,428,339
Local Sources	
Other local sources	9,645,886
Total	$ 43,995,083

Student receivables	$ 7,409,755
Less allowance for bad debt	(2,375,280)
Student receivables, net	$ 5,034,475

NOTE 5 - PREPAID EXPENSES AND OTHER ASSETS

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 $55,556 over the remaining life of the original lease. As of June 30, 2013, the remaining prepaid rent balance was $9,955,554.

Preapid rent	$ 9,955,554
Prepaid insurance	1,046,293
Prepaid other	176,169
Total	$ 11,178,016

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2013, was as follows:

	Balance* Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 29,211,619	$ -	$ -	$ 29,211,619
Construction in progress	27,996,962	1,601,837	2,600,503	26,998,296
Total Capital Assets Not Being Depreciated	57,208,581	1,601,837	2,600,503	56,209,915
Capital Assets Being Depreciated				
Land improvements	146,887,080	1,910,758	-	148,797,838
Buildings and improvements	481,965,033	2,438,611	-	484,403,644
Furniture and equipment	27,045,362	2,389,029	-	29,434,391
Vehicles	1,265,222	36,946	-	1,302,168
Total Capital Assets Being Depreciated	657,162,697	6,775,344	-	663,938,041
Total Capital Assets	714,371,278	8,377,181	2,600,503	720,147,956
Less Accumulated Depreciation				
Land improvements	89,250,408	16,843,069	-	106,093,477
Buildings and improvements	101,178,666	20,253,799	-	121,432,465
Furniture and equipment	20,550,269	1,840,744	-	22,391,013
Vehicles	1,118,383	53,333	-	1,171,716
Total Accumulated Depreciation	212,097,726	38,990,945	-	251,088,671
Net Capital Assets	$ 502,273,552	$ (30,613,764)	$ 2,600,503	$ 469,059,285

* As restated, see Note 15 for more information.

Depreciation expense for the year was $38,990,945.

Interest expense related to capital debt for the year ended June 30, 2013 was $15,777,295; of this amount $1,252,671 was capitalized.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District as of June 30, 2013 consisted of the following:

Accrued payroll	$ 4,187,996
Construction	1,043,344
Other	4,635,568
Total	$ 9,866,908

NOTE 8 - DEFERRED REVENUE

Deferred revenue as of June 30, 2013 consisted of the following:

Federal financial assistance	$ 163,568
State categorical aid	1,053,637
Other local	2,517,450
Total	$ 3,734,655

NOTE 9 - 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, 2013, the fiduciary funds owed the primary government $75,000.

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 2013 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to $613,437. The amount transferred to the fiduciary funds from the primary government was $371,881.

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Bonds and Notes Payable					
General obligation bonds, Series 2001					
Series A	$ 28,055,000	$ -	$ 1,270,000	$ 26,785,000	$ 1,335,000
Series B	74,195,000	-	4,945,000	69,250,000	5,120,000
Series C	40,195,000	-	1,325,000	38,870,000	1,390,000
General obligation bonds, Series 2005					
Series A	76,965,000	-	2,535,000	74,430,000	2,660,000
Series B	98,590,000	-	3,235,000	95,355,000	3,395,000
Series C	9,610,000	-	1,230,000	8,380,000	1,280,000
Series D	30,660,000	-	-	30,660,000	-
Unamortized bond premium	12,925,081	-	1,222,831	11,702,250	1,176,934
Total Bonds and Notes Payable	371,195,081	-	15,762,831	355,432,250	16,356,934
Other Liabilities					
Compensated absences	12,252,668	2,743,587	4,880,546	10,115,709	4,880,546
Load banking	880,428	420,490	-	1,300,918	-
Capital leases	502,422	397,946	101,647	798,721	184,468
Settlement Agreement	293,025	-	100,000	193,025	100,000
Claims liability	4,832,000	1,139,424	714,601	5,256,823	919,000
Net OPEB obligation	45,152,375	16,897,298	6,941,777	55,107,896	-
Total Other Liabilities	63,912,918	21,598,745	12,738,571	72,773,092	6,084,014
Total Long-Term Obligations	$ 435,107,999	$ 21,598,745	$ 28,501,402	$ 428,205,342	$ 22,440,948

Description of Debt

Payments on the general obligation bonds are made by the bond interest and redemption fund with local property tax revenues. The accrued vacation and load banking will be paid by the fund for which the employee worked. Capital lease payments are made out of the general unrestricted fund. Settlement agreement payments are made out of the unrestricted general fund. Payment of the OPEB obligation is made from the general unrestricted fund and the claims liability from the funds from which employee charges are accounted for.

Election of 2001, Series A, B, and C Bonds

On November 6, 2001, the voters of the District approved the issuance of $195,000,000 general obligation bonds to be used to finance the acquisition, construction, and modernization of certain property and District facilities. On March 15, 2002, $38,000,000 of San Francisco Community College District, Election of 2001, Series A Bonds were issued with a final maturity date of June 15, 2026, and interest rates of 2.5 percent to 5.375 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, 2002. On September 14, 2004, $110,000,000 of San Francisco Community College District, Election of 2001, Series B Bonds were issued with a final maturity date of June 15, 2024, and interest rates of 3.0 percent to 5.5 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2004. On June 20, 2006, $47,000,000 of San Francisco Community College District, Election of 2001, Series C Bonds were issued with a final maturity date of June 15, 2031, 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 December 15, 2006. The outstanding principal balances of the Series A, B, and C Bonds at June 30, 2013, were $26,785,000, $69,250,000, and $38,870,000, respectively.

Election of 2005, Series A, B, 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. The total net proceeds of $90,000,000 from the Bonds Series A issuance received by the District (net of premium and bond issuance costs) on June 20, 2006, are to be spent on construction, renovation, and land acquisition for various approved projects. These bonds have a final maturity date of June 15, 2031, and interest rates of 4.0 percent to 5.0 percent. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2006. On December 5, 2007, $110,000,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series B Bonds were issued with a final maturity date of June 15, 2031, 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 December 15, 2008. 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, 2030, 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 A, B, C, and D bonds at June 30, 2013, were $74,430,000, $95,355,000, $8,380,000, and $30,660,000, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Redeemed	Bonds Outstanding June 30, 2013
2002	06/15/26	2.5%-5.375%	$ 38,000,000	$ 28,055,000	$ 1,270,000	$ 26,785,000
2004	06/15/24	3.0%-5.5%	110,000,000	74,195,000	4,945,000	69,250,000
2006	06/15/31	4.0%-5.0%	47,000,000	40,195,000	1,325,000	38,870,000
2006	06/15/31	4.0%-5.0%	90,000,000	76,965,000	2,535,000	74,430,000
2007	06/15/31	4.0%-5.0%	110,000,000	98,590,000	3,235,000	95,355,000
2010	06/15/19	.40%-4.0%	15,640,000	9,610,000	1,230,000	8,380,000
2010	06/15/30	4.0%-5.0%	30,660,000	30,660,000	-	30,660,000
				$ 358,270,000	$ 14,540,000	$ 343,730,000

2001 Series A bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 1,335,000	$ 1,395,369	$ 2,730,369
2015	1,410,000	1,323,612	2,733,612
2016	1,485,000	1,247,825	2,732,825
2017	1,565,000	1,168,006	2,733,006
2018	1,645,000	1,083,888	2,728,888
2019-2023	10,270,000	3,992,644	14,262,644
2024-2026	9,075,000	922,250	9,997,250
Total	$ 26,785,000	$ 11,133,594	$ 37,918,594

2001 Series B bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 5,120,000	$ 3,378,106	$ 8,498,106
2015	5,325,000	3,122,106	8,447,106
2016	5,535,000	2,855,856	8,390,856
2017	5,760,000	2,579,106	8,339,106
2018	5,990,000	2,291,106	8,281,106
2019-2023	33,835,000	6,715,281	40,550,281
2024	7,685,000	345,825	8,030,825
Total	$ 69,250,000	$ 21,287,386	$ 90,537,386

2001 Series C bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 1,390,000	$ 1,946,588	$ 3,336,588
2015	1,460,000	1,880,337	3,340,337
2016	1,530,000	1,810,837	3,340,837
2017	1,610,000	1,737,838	3,347,838
2018	1,690,000	1,676,637	3,366,637
2019-2023	9,790,000	6,818,462	16,608,462
2024-2028	12,430,000	4,164,500	16,594,500
2029-2031	8,970,000	911,000	9,881,000
Total	$ 38,870,000	$ 20,946,199	$ 59,816,199

2005 Series A bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 2,660,000	$ 3,574,678	$ 6,234,678
2015	2,795,000	3,468,277	6,263,277
2016	2,930,000	3,328,528	6,258,528
2017	3,080,000	3,182,027	6,262,027
2018	3,235,000	3,043,427	6,278,427
2019-2023	18,755,000	12,812,990	31,567,990
2024-2028	23,800,000	7,744,000	31,544,000
2029-2031	17,175,000	1,744,250	18,919,250
Total	$ 74,430,000	$ 38,898,177	$ 113,328,177

2005 Series B bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 3,395,000	$ 4,565,856	$ 7,960,856
2015	3,565,000	4,396,106	7,961,106
2016	3,745,000	4,217,857	7,962,857
2017	3,930,000	4,030,606	7,960,606
2018	4,125,000	3,834,106	7,959,106
2019-2023	23,950,000	16,041,413	39,991,413
2024-2028	30,550,000	10,099,125	40,649,125
2029-2031	22,095,000	2,243,750	24,338,750
Total	$ 95,355,000	$ 49,428,819	$ 144,783,819

2005 Series C bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 1,280,000	$ 290,613	$ 1,570,613
2015	1,315,000	252,211	1,567,211
2016	1,370,000	199,612	1,569,612
2017	1,425,000	144,813	1,569,813
2018	1,465,000	102,063	1,567,063
2019	1,525,000	43,463	1,568,463
Total	$ 8,380,000	$ 1,032,775	$ 9,412,775

2005 Series D bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest	Total
2014	$ -	$ 1,497,300	$ 1,497,300
2015	-	1,497,300	1,497,300
2016	-	1,497,300	1,497,300
2017	-	1,497,300	1,497,300
2018	-	1,497,300	1,497,300
2019-2023	6,205,000	7,040,000	13,245,000
2024-2028	9,545,000	5,147,850	14,692,850
2029-2023	12,110,000	2,576,000	14,686,000
2034	2,800,000	140,000	2,940,000
Total	$ 30,660,000	$ 22,390,350	$ 53,050,350

Notes Payable

In July 2009 the District entered into a settlement agreement with the San Francisco Police Department (SFPD). Under the agreement, the District agreed to pay $393,025 in installments which started August 1, 2011.

Fiscal Year	Principal
2014	$ 100,000
2015	93,025
Total	$ 193,025

Capital Leases

The District leases equipment under capital lease agreements, secured by capital assets with net book value $692,495. 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
2014	$ 184,468
2015	162,666
2016	156,534
2017	148,845
2018	146,208
Total	798,721
Less: Amount Representing Interest	(106,226)
Present Value of Minimum Lease Payments	$ 692,495

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2013, was $16,590,309, and contributions made by the District during the year were $6,941,777. Interest on the net OPEB obligation and adjustments to the annual required contribution were $2,257,619 and $(1,950,630), respectively, which resulted in an increase to the net OPEB obligation of $9,955,521. As of June 30, 2013, the net OPEB obligation was $55,107,896. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The District provides postemployment health care benefits for retired employees in accordance with negotiated contracts with the various bargaining units of the District.

Plan Description

The District's Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 1,036 retirees and beneficiaries currently receiving benefits, and 1,536 active Plan members.

Funding Policy

The contribution requirements of Plan members and the District are established and may be amended by the District and the District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements with an additional amount to prefund benefits as determined annually through agreements between the District and the bargaining units. For fiscal year 2012-2013, the District contributed $6,941,777 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the payments of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding costs) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 16,590,309
Interest on net OPEB obligation	2,257,619
Adjustment to annual required contribution	(1,950,630)
Annual OPEB cost (expense)	16,897,298
Contributions made	(6,941,777)
Increase in net OPEB obligation	9,955,521
Net OPEB obligation, July 1, 2012	45,152,375
Net OPEB obligation, June 30, 2013	$ 55,107,896

Trend Information

Trend information for the annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the past three years is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	$ 16,524,760	$ 6,340,581	38%	$ 35,703,065
2012	$ 16,693,040	$ 7,243,730	43%	$ 45,152,375
2013	$ 16,897,298	$ 6,941,777	41%	$ 55,107,896

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	$ 189,190,224
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 189,190,224
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	114,910,959
UAAL as Percentage of Covered Payroll	164.64%

The above noted actuarial accrued liability was based on the July 1, 2011, actuarial valuation. Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements and presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the Plan being funded in an irrevocable employee benefit trust fund invested in a long-term fixed income portfolio. Healthcare cost trend rate of 4 percent.. The UAAL is being amortized at a level dollar method.

NOTE 12 - 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 Statewide Association of Community Colleges (SWACC) 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	\$ 5,000

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, 2013, liability for claims amounted to \$5,256,823.

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, 2012 to June 30, 2013 (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
As of June 30, 2013				
Workers' Compensation	\$ 4,832,000	\$ 1,139,424	\$ 714,601	\$ 5,256,823

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California, 95605.

Funding Policy

Active members are required to contribute 8.0 percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's total contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $7,096,471, $7,894,296, and $8,048,943, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under CalPERS a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary (7.0 percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's contribution rate to CalPERS for fiscal year 2012-2013 was 11.417 percent of covered payroll. The District's contributions to CalPERS for fiscal years ending June 30, 2013, 2012, and 2011, were $425,461, $558,375, and $433,597, respectively, and equaled 100 percent of the required contributions for each year.

San Francisco Employees Retirement System (SFERS)

Plan Description

SFERS is a separate County department, deriving its powers, functions, and responsibilities from the County charter and ordinances of the Board of Supervisors. SFERS is reported as a single-employer defined benefit pension plan even though it includes a limited number of employees from the District and the Unified School Districts. Certain classified permanent full-time employees and certain certified employees are eligible members for SFERS. SFERS provides retirement, disability, and survivor benefits based on the employee's years of service, age, and final compensation. Employees vest after five years of service and may receive retirement benefits at age 50. SFERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to San Francisco City and County Employees' Retirement System, 30 Van Ness, Suite 3000, San Francisco, CA 94102, or by calling 415-487-7020.

Funding Policy

Contributions are made to the basic plan by the District employees. Employee contributions are mandatory. The employee contribution rate for the fiscal years 2013 was 7.5 percent (8.0 percent for members prior to November 1976) as a percentage of gross salary. The District makes the contributions required of District employees on their behalf for their account. The funding policy SFERS provides for actuarially determined periodic contributions by the District at rates such that sufficient assets will be available to SFERS to pay benefits when due. The contribution rate for normal cost is determined using the entry age normal actuarial cost method. Based on the actuarial report, and due to benefit increases authorized by City Voters and investment performance below projected levels from 2000 through 2003, the Retirement Board required employer contributions of 20.71 percent for fiscal year 2013. For the fiscal years ended June 30, 2013, 2012, and 2011, the District contributed $7,508,696, $7,821,808, and $5,857,651, respectively.

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 years ended June 30, 2013, 2012, and 2011, which amounted to $5,049,382, $5,015,738, and $3,887,158, respectively, (5.176 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 years ended June 30, 2013, 2012, and 2011. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been reflected in the basic financial statements as a component of nonoperating revenue and employee benefit expense.

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 14 - 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. The District is currently undergoing an audit by the Department of Education of the Student Financial Aid program 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, 2013.

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, 2013.

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
2014	$ 1,128,423
2015	1,091,126
2016	823,801
2017	100,000
Total	3,143,350

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Performing arts center	$ 3,471,727	2014
Academic joint use facility	129,396	2014
ADA Renovation	111,894	On going
Buildings and grounds renovation	92,512	On going
	$ 3,805,529	

The projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office.

NOTE 15 - RESTATEMENT OF BEGINNING NET ASSETS

The District's prior year beginning net position has been restated as of June 30, 2013.

Effective in fiscal year 2012-2013, the District was required to capitalize interest as part of the historical cost of constructing certain business-type activity assets. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $10,483,819. The District also reconciled property amounts to subsidiary schedules. See table below:

Net Position - Beginning	$ 152,075,248
Restatement of capital assets for implementation of GASB Statement No. 62	10,483,819
Restatement of capital assets for Chinatown land transactions	1,425,941
Net Position - Beginning, as Restated	$ 163,985,008

NOTE 16 - FISCAL RESPONSIBILITY AND SUBSEQUENT EVENTS

Operations

In July 2013, the Accrediting Commission for Community and Junior Colleges (ACCJC) announced its decision to terminate City College of San Francisco's accreditation, effective July 31, 2014. The Commission's decision, however, is not final. City College remains open while pursuing a review and appeal process, which could take more than a year. Students now enrolled at City College will have their credits count toward degrees, certificates and transfer, and there is no change to financial aid eligibility or availability. The District is under the oversight and governance of a Special Trustee, and the governance authority of the Board has been suspended.

Fiscal Responsibility

Although the District has $135,365,675 in net position as of June 30, 2013, the unrestricted net position is a deficit for the fifth consecutive year, with a negative balance of ($45,275,218), as of June 30, 2013. The balance of the offsetting positive net position of $180,640,893 is largely centered in capital assets and related capital project activities totaling $171,567,467 as of June 30, 2013. The deficit in unrestricted net position is significantly impacted by the cumulative unfunded Other Post Employment Benefits (OPEB) liability of $55,107,896 as of June 30, 2013, which increased by $9,955,521 for the year ended June 30, 2013.

The District experienced a decrease in net position of $28,619,333 for the year ended June 30, 2013. The loss before capital revenues for the year ended June 30, 2012 was $31,610,787. Depreciation expense included in the above decreases was $38,990,945 and $36,151,333, for 2013 and 2012, respectively.

The District monitors revenues, expenditures, and related cash position on a weekly or biweekly basis throughout fiscal year 2012/2013. District revenue forecasts are positive as the District is in stability.

The District has for the fifth year maintained an interagency pooled fund borrowing agreement with the City and County of San Francisco to advance funds to the District up to $30,000,000. This agreement allows the District to cover cash flow shortfalls when the State of California defers payment of apportionment funding to the District and during the period when the District renegotiates its Tax Revenue Anticipation Note each year. This agreement with City and County of San Francisco is in place for the fiscal year 2013/2014 by mutual consent.

At June 30, 2013, the self insurance fund ended the year with a deficit in fund balance/net position of $2,227,546

Other

Subsequent to June 30, 2013, the District suspended the Performing Arts Center construction project. Work in Progress includes approximately $24 million of expenditures related to this project. The project expenditures will be reviewed to determine if the expenditures relate to portions of the project that have alternative uses or future useful lives or will be expensed.

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Method Used (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
October 1, 2009	$ -	$ 156,918,436	$ 156,918,436	0%	$ 119,914,051	131%
July 1, 2011	-	189,190,224	189,190,224	0%	118,787,767	159%

SUPPLEMENTARY INFORMATION

DISTRICT ORGANIZATION
JUNE 30, 2013

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
John Rizzo	President	2013
Anita Grier	Vice President	2013
Natalie Berg	Member	2016
Chris Jackson	Member	2016
Rafael Mandelman	Member	2016
Steve Ngo	Member	2016
Lawrence Wong	Member	2013
William Walker	Student Trustee	2013
Robert Agrella	Special Trustee	Not applicable

ADMINISTRATION

Thelma Scott-Skillman	Interim Chancellor*
Mr. Peter Goldstein	Vice Chancellor of Finance and Administration
Mr. John Bilmont	Associate Vice Chancellor / Chief Financial Officer

*Effective November 1, 2012, Dr. Thelma Scott-Skillman became the Interim Chancellor.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Program Name	CFDA Number	Pass-Through or Direct Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Assistance Cluster			
Federal Pell Grant	84.063	[1]	$ 32,493,283
Federal Pell Grant Administrative	84.063	[1]	50,725
Federal Work-Study Program	84.033	[1]	614,731
Federal Direct Loan	84.268	[1]	7,627,467
Federal Supplemental Educational Opportunity Grants	84.007	[1]	583,186
Total Student Financial Assistance Cluster			41,369,392
TRIO Student Support Services	84.042	[1]	340,193
Funds for the Improvement of Post Secondaty -Textbook Rental	84.116Y	[1]	131,624
Asian Pacific American Leaders	84.031L	[1]	87,229
Passed through San Francisco State University			
Fund for the Improvement of Postsecondary Education	84.116B	P116Y090023	40,987
Passed through California Department of Education (CDE)			
Vocational English as a Second Language	84.002A	14508	1,090,695
Adult Secondary Education	84.002A	13978	77,814
Civics Education	84.002A	14109	66,999
Race to the Top Early Childhood Mentoring Program	84.412	CN120096	21,458
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act - Title I, Part C -			
Basic Grants to States	84.048	03303	1,508,044
Title IC Career Tech Ed Transitions	84.048	12-112-360	49,400
TOTAL U.S. DEPARTMENT OF EDUCATION			44,783,835
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	DPSS12000234	$ 99,380
Child Care Development Fund Cluster			
Passed through California Department of Education (CDE)			
Child Care Development Block Grant			
Early Childhood Mentoring Program	93.575	CN120046	2,494,780
Child Care Development Block Grant - Centers Based	93.575	321-13609-7353	26,845
Child Care Development Block Grant - State Preschool	93.575	324-15136-7353	153,387
Passed through Yosemite Community College District			
Child Care Development Block Grant- Training Consortium	93.575	12-13-3142	28,129
Total Child Care Development Fund Cluster			2,703,141

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2013

Passed through California Department of Health Services			
Medical Administrative Activities - Reimbursements	93.778	[2]	1,196,600
Passed through San Francisco Department of Health and Human Services			
Title IV-E Foster Care Training	93.658	DPSS13000120	653,868
Transitions Clinic Network	93.610	1C1CMS331071-01-00	1,391,352
Passed through Public Health Foundation Enterprises			
Linkages Initiative	93.531	[2]	163,449
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			6,207,790
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
California Development Block Grant -Mayor's Office Coummunity Department			
Technical Assistance - Small Business	14.227	39846 CCSF SBDC	$ 140,000
Post Prision Health	14.227	[2]	4,602
TOTAL U.S. DEPARTMENT OF HOUSING AND HUMAN SERVICES			144,602
U.S. DEPARTMENT OF LABOR			
Workforce Investment Act			
Workforce Investment Act Cluster			
Passed through the City and County of San Francisco			
SFMOEWD- JVS Youth Sector Bridges	17.259	[2]	19,003
Passed through Employment Training Administration			
Forsyth Tech	17.258	K078125	40,826
Total Workforce Investment Act Cluster			59,829
Passed through the City and County of San Francisco			
SFMOEWD -Tech SF Initiative	17.268	DPBE1300010801	100,039
SFMOEWD- Tech SF WIF	17.283	DPBE1300018601	24,289
TOTAL U.S. DEPARTMENT OF LABOR			184,157

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2013

U.S. DEPARTMENT OF ENERGY			
Transportation Electrification	81.087	DE-EE0002495	$ 124,522
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child and Adult Food Program	10.558	03628	56,711
U.S. DEPARTMENT OF EDUCATIONAL AND CULTURAL AFFAIRS			
Passed through Northern Virginia Community College			
Academic Exchange Programs - Undergraduate Studies	19.009	S-ECAAS-12-CA-050-CB	142,503
NATIONAL SCIENCE FOUNDATION			
Education and Human Resource - National Tech Center for Biolink*	47.076	[1]	842,531
Education and Human Resource - University of Massachusetts Projects*	47.076	[1]	80,805
Education and Human Resource - Intitute for Women in Trade, Tech, and Science*	47.076	[1]	27,173
Education and Human Resources - PIPED*	47.076	[1]	72,427
Education and Human Resources - MESA/STEM*	47.076	[1]	99,034
Education and Human Resources - TechSpot 2.0*	47.076	[1]	24,699
Education and Human Resources - Stem Cell Pipeline*	47.076	[1]	107,250
Education and Human Resource - Scholarships in Science, Tech, Engineering, and Math*	47.076	[1]	8,073
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center*	47.076	[1]	973,694
TOTAL NATIONAL SCIENCE FOUNDATION			2,235,686
SMALL BUSINESS ADMINISTRATION			
Passed through Humbolt State University Sponsored Programs Foundation (HSUSPF)			
Humbolt State University Sponsored Programs Foundation (HSUSPF)	59.037	3-603001-Z-0065	231,790
Small Business Development Center-Federal Job Bill	59.037	[1]	24,923
TOTAL SMALL BUSINESS ADMINISTRATION			256,713
U. S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	64.120	[1]	357
U. S. DEPARTMENT OF COMMERCE			
FCCC-CA Connets-MESA	11.557	[1]	2,739
Broadband Technology Opportunities Program-BEMA	11.557	[1]	116,807
Broadband Technology Opportunities Program-CNIT	11.557	[1]	274,448
TOTAL U.S. DEPARTMENT OF COMMERCE			393,994
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 54,530,870

[1] Direct funded, pass through number not applicable.

[2] Pass through number not available.

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

	Program Entitlements		
Program	Current Year	Prior Year	Total Entitlement
GENERAL FUND			
AB 1725 - Staff Development and Diversity Programs	$ 14,088	$ 58,625	$ 72,713
Basic Skills-One Time & On-going	1,476,633	-	1,476,633
Board of Financial Aid Program	1,169,391	88,133	1,257,524
Calworks/ TANF	323,475	-	323,475
California Nursing Support	140,987	534	141,521
Carreer Technical Education - Collaborative, Hub & Teacher Prep (CTE)	657,023	987,725	1,644,748
California Institute for Regenerative Medicine	362,338	233,001	595,339
Childcare Taxbailout	77,151	-	77,151
Center Based Child Development	64,660		64,660
Childcare Food Program - State Share	3,447	-	3,447
CCCCO FSS MESA	50,500	-	50,500
Disable Students Programs & Services	1,586,136	5,633	1,591,769
Economic Development (EWD)	853,318	337,178	1,190,496
Extended Opportunity Programs & Services (EOPS & CARE)	1,062,338	8,833	1,071,171
Foster Parenting	85,319	-	85,319
Family Pact Medicaid	165,417		165,417
General Reappropriation & SB1133 Settle-up Funding	-	4,396	4,396
Instructional Equipment and Replacement Block Grant	-	16,807	16,807
Matriculation Credit & Non-Credit	2,133,512	-	2,133,512
Prop 20 GC Section 888.4 - Cardenas Textbook	400,000	225,503	625,503
SFDPH/MHSA MHCHW	199,103	-	199,103
SFDPH Medicinal Drumming Pra	100,000	-	100,000
State Department of Real Estate	45,000	-	45,000
State Preschool	809,247	-	809,247
San Francisco First Five-Preschool to all	100,250	-	100,250
San Francisco Community College District - New Chinatown	-	2,130,561	2,130,561
transfer and Articulation	-	9,257	9,257
Total			-

See accompanying note to supplementary information.

Program Revenues				
Accounts Receivable	Deferred Revenue	Total Revenue	Program Expenditures
$ -	$ 42,851	$ 29,862	$ 29,863
-	-	1,476,633	1,476,633
-	-	1,257,524	1,257,524
-	-	323,475	323,475
22,558	-	146,493	146,493
139,772	635,973	825,890	825,891
-	270,162	325,177	325,177
-	-	77,151	77,151
3,794	-	34,595	34,595
709	-	3,292	3,292
20,200	-	50,500	50,500
-	-	1,591,769	1,591,769
193,991	88,900	607,187	607,188
-	8,833	1,062,338	1,062,338
21,704	-	85,319	85,319
-	-	165,417	165,417
-	-	4,396	4,396
-	-	16,807	16,807
-	-	2,133,512	2,133,512
898,108	-	898,108	580,097
51,833	-	171,638	171,638
25,828	-	80,460	80,460
8,279	-	45,000	45,000
12,850	-	533,899	533,899
28,613	-	106,690	106,690
-	-	1,786,329	1,786,329
-	6,918	2,339	2,339
$ 1,428,239	$ 1,053,637	$ 13,841,800	$ 13,523,792

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE AS OF JUNE 30, 2013

CATEGORIES	Reported Data *	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2012 only)			
1. Noncredit**	213	-	213
2. Credit	982	-	982
B. Summer Intersession (Summer 2013 - Prior to July 1, 2013)			
1. Noncredit**	395	-	395
2. Credit	1,644	-	1,644
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	14,208	(11)	14,197
(b) Daily Census Contact Hours	508	(5)	503
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	8,944	(16)	8,928
(b) Credit	608	-	608
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	5,212	-	5,212
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	6	-	6
D. Total FTES	32,720	(32)	32,688
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	7,424	-	7,424
2. Credit	1,297	-	1,297

‘* Annual report revised as of October 2013.

** 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, 2013

		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	$ 44,257,934	$ -	$ 44,257,934	$ 44,310,814	$ -	$ 44,310,814
Other	1300	22,998,314	-	22,998,314	22,999,804	-	22,999,804
Total Instructional Salaries		67,256,248	-	67,256,248	67,310,618	-	67,310,618
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	14,430,529	-	14,430,529
Other	1400	-	-	-	3,111,236	-	3,111,236
Total Noninstructional Salaries		-	-	-	17,541,765	-	17,541,765
Total Academic Salaries		67,256,248	-	67,256,248	84,852,383	-	84,852,383
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	29,982,475	-	29,982,475
Other	2300	-	-	-	2,854,800	-	2,854,800
Total Noninstructional Salaries		-	-	-	32,837,275	-	32,837,275
Instructional Aides							
Regular Status	2200	1,555,317	-	1,555,317	2,177,496	-	2,177,496
Other	2400	374,318	-	374,318	426,619	-	426,619
Total Instructional Aides		1,929,635	-	1,929,635	2,604,115	-	2,604,115
Total Classified Salaries		1,929,635	-	1,929,635	35,441,390	-	35,441,390
Employee Benefits	3000	21,299,985	-	21,299,985	43,366,593	-	43,366,593
Supplies and Material	4000	-	-	-	1,385,044	-	1,385,044
Other Operating Expenses	5000	-	-	-	12,512,254	-	12,512,254
Equipment Replacement	6420	-	-	-	-	-	-
Total Expenditures Prior to Exclusions		90,485,868	-	90,485,868	177,557,664	-	177,557,664

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, 2013

		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	$ 3,685,175	$ -	$ 3,685,175	$ 3,685,175	$ -	$ 3,685,175
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	3,226,617	-	3,226,617
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,437,543	-	1,437,543
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	99,332	-	99,332
Classified Salaries	2000	-	-	-	2,858,393	-	2,858,393
Employee Benefits	3000	-	-	-	763,375	-	763,375
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 FOR THE YEAR ENDED JUNE 30, 2013

		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		3,685,175	-	3,685,175	12,070,435	-	12,070,435
Total for ECS 84362, 50 Percent Law		$ 86,800,693	$ -	$ 86,800,693	$ 165,487,229	$ -	$ 165,487,229
Percent of CEE (Instructional Salary Cost/Total CEE)		52.45%		52.45%	100.00%		100.00%
50% of Current Expense of Education					$ 82,743,615		$ 82,743,615

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDCUATION PROTECTION ACT (EPA) EXPENDITURE REPORT FOR THE YEAR ENDED JUNE 30, 2013

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				$ 23,965,172
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 23,965,172			$ 23,965,172
Total Expenditures for EPA		$ 23,965,172	-	-	$ 23,965,172
Revenues Less Expenditures					$ -

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Summarized below are the fund balance reconciliations between the Annual Financial and Budget Report (CCFS-311) and the fund financial statements.

	General
FUND BALANCE	
Balance, June 30, 2013, (CCFS-311)	$ 17,874,619
Increase in:	
Accounts receivable	169,228
Balance, June 30, 2013, Audited	$ 18,043,847

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance:		
General Funds	$ 21,597,361	
Special Revenue Funds	39,826	
Capital Project Funds	59,992,340	
Debt Service Funds	3,049,941	
Enterprise Funds	727,280	
Internal Service Funds	(2,227,546)	
Fiduciary Funds	3,556,081	
Total Fund Balance - All District Funds		**$ 86,735,283**
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	720,147,956	
Accumulated depreciation is	(251,088,671)	469,059,285
Expenditures relating to the issuance of debt were recognized on the modified accrual basis and are amortized over the life of the debt on the accrual basis.		2,440,443
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.		
Long-term liabilities at year end consist of:		
Bonds payable	355,432,250	
OPEB obligation	55,107,896	
Settlement agreement	193,025	
Capital leases payable	798,721	
Load banking	1,300,918	
Compensated absences	10,115,709	
(less amount already recorded in enterprise fund)	(79,183)	(422,869,336)
Total Net Position		**$ 135,365,675**

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.

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides position between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Assets - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2013. These unspent balances are reported as legally restricted ending balances within the Statement of Net Assets - Primary Government.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position		$ 54,047,736
Veterans Education	64.120	(13,760)
Medical Administrative Allowance	93.778	496,894
Total Expenditures of Federal Awards		$ 54,530,870

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided Federal awards to subrecipients as follows: Through

Grantor/Program	Federal CFDA Number	Amount Provided to Subrecipients
Education and Human Resource - National Tech Center for Biolink	47.076	$ 321,352
Education and Human Resources - PIPED	47.076	30,703
Education and Human Resources - Stem Cell Pipeline	47.076	46,761
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center	47.076	38,773
Title IC Career Tech Ed Transitions	84.048	2,000
Child Care Development Block Grant - Early Childhood Mentoring Program	93.575	17,143
Transitions Clinic Network	93.610	725,171
		$ 1,181,903

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 of the District. 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 Act (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 Fund 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 internal fund 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 entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT AUDITORS' REPORTS

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' 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 basic financial statements of San Francisco Community College District (the District) as of and for the year ended June 30, 2013, 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 31, 2013.

As discussed in the Notes to the basic financial statements, the accompanying financial statement reflect certain changes required as a result of the implementation of GASB Statement No. 62 for the year ended June 30, 2013. These changes require a restatement of the beginning net position of the District as discussed in Note 15. 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 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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

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 were not identified. . Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we considered to be significant deficiencies and are identifies as items 2013-1 and 2013-2.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2013.

San Francisco Community College District Responses to Findings

The District's responses to the 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 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

Pleasanton, California
December 31, 2013

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 OMB Circular A-133 *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, 2013. The District's major Federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider 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.

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, 2013.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a 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* 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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2013

VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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 California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in April 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion. 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 424 State General Apportionment Funding System, 431 Gann Limit Calculation, 435 Open Enrollment, and 479 To Be Arranged (TBA) Hours. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588 Tel: 925.734.6600 Fax: 925.734.6611 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

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, 2013.

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 programs noted below that were audited for the year ended June 30, 2013, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2013.

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	Concurrent Enrollment of K-12 Students in Community College Credit Courses
Section 431	Gann Limit Calculation
Section 433	CalWORKS
Section 435	Open Enrollment
Section 437	Student Fees – Instructional and Other Materials
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 474	Extended Opportunity Programs and Services (EOPS) and Cooperative Agencies Resources for Education (CARE)
Section 475	Disabled Student Programs and Services (DSPS)
Section 479	To Be Arranged (TBA) Hours
Section 490	Proposition 1D State Bond Funded Projects
Section 491	Proposition 30 Education Protection Account Funds

The District reports no Instructional Service Agreements or Proposition 1D State Bond Funded Projects, therefore, the compliance tests within these sections 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 responses and, accordingly, we express no opinion on the responses.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 31, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.048	CTEA
11.557	Broadband Technology Opportunities Program
93.778	Medicaid Cluster
93.610	Transitions Clinic Network

Dollar threshold used to distinguish between Type A and Type B programs:	$ 394,844
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

Unmodified for all programs except for the following

Name of Program
Section 424 State General Apportionment Funding System
431 Gann Limit Calculation
435 Open Enrollment
479 To Be Arranged (TBA) Hours

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

2013-1 Finding – Year End Closing
Significant Deficiency

Criteria or Specific Requirement
Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition
The Annual Financial and Budget Report (CCFS-311) financial statements and the GASB 35 Conversion entries presented to begin the audit contained the following errors:

- A receivable from the Department of Human Services dated from the 2007-08 year was still maintained on the District's general ledger. The District has written to the Department of Human Services to inquire about the status of the receivable, however, no response has been received to date. The balance of the receivable totaled $169,087 at June 30, 2013.
- The land reported on the Statement of Net Assets through conversion entries was understated by approximately $1.4 million as a result of a prior year transaction related to the Chinatown property transactions.

Questioned Costs

None.

Context

Accounts receivables and fund balance includes an amount of $169,087 that may not be collectible. In addition, one conversion entry related to land transactions in a prior year was not reported appropriately.

Effect

Reconciliations and adjustments to year end balances occurring after the preparation of fiscal year end reports decrease the relevance and usefulness of the reports.

Cause

The District's internal controls were not operating effectively to ensure that all transactions are recorded properly and that receivables other than student receivables were assessed for collectibility.

Recommendation

The District should:

- Continue to evaluate all receivables for collectability and consider the need to write off this amount if unlikely to collect the funds.
- Reconcile capital asset records to supporting information prior to or during the year end closing process.

Management's Response and Corrective Action Plan

The District is reviewing and documenting all of its business processes. The results will be used to ensure that coverage over program management and account reconciliations are comprehensive. Additionally, the documentation will be used to ensure that accountability matches assigned responsibilities.

2013-2 Finding – Self Insurance Fund Balance
Significant Deficiency

Criteria or Specific Requirement

The District should maintain adequate financial resources, both at an entity-wide level and at the specific fund level. Reporting standards require disclose of funds with negative fund balances.

Condition

The District maintains a Self-Insurance Fund for employee workers' compensation benefits. The District increased its assessment to the funds to recover funding for the prior years and has posted a liability within the self-insurance fund in the amount of $5.2 million. The self-insurance fund does not have sufficient assets to cover this liability which has resulted in a negative fund balance of $2.2 million. This liability would ultimately become the responsibility of the various funds which record payroll expense-specifically the District's Unrestricted General Fund. This has the possibility of negatively impacting the financial activity of the District.

Questioned Costs

None.

Context

Workers compensation benefits liabilities are estimated based on actuarial studies using past history and future projections and resulted in a $5.2 million liability.

Effect

There were not sufficient assets in the self insurance fund to cover the liability for self-insurance.

Cause

The District has not provided the financial resources to adequately fund the liability balance.

Recommendation

The District should determine the funding level to provide sufficient reserves for this fund to target a date to return the fund to a balanced position.

Management's Response and Corrective Action Plan

The District is obtaining a new actuarial analysis for its Workers Compensation liability funding plan. This study will be used to establish the new rates required to balance the funding for the plan.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations.

2013-3 Finding - Daily Attendance Accounting and Reporting
Significant Deficiency – State Compliance

Criteria or Specific Requirement

Title 5, section 58003.1 (c) defines a Daily Census course as a course that is scheduled to meet five or more days and scheduled regularly with respect to the number of hours during each scheduled day. The Student Attendance Accounting Manual (SAAM) indicates that Daily Census contact hours reported must be computed based on the regularly scheduled hours for each class as published in the official schedule of classes, and not on the total number of contact hours listed on the course outline of record or college catalog.

Condition

- 3 of 40 courses reviewed did not meet the definition of a Daily Census course as indicated above. Two courses were not scheduled to meet for more than 5 days and one course met for a different number of hours at each meeting.
- 20 of 40 courses contact hours reported did not appear to be computed based on the regularly scheduled hours for each class as published in the official schedule of classes.

Questioned Costs

- None for the three Daily courses not meeting the definition of a daily course, totaling 19.96 FTES, as they were transferred to Positive Attendance Accounting Method in the Recalculation 320 report. The amount of FTES reported in the Recalculation 320 report was 14.48 Positive Attendance FTES.
- None for the 20 courses not scheduled based on hours in the official schedule as the Recalculation 320 report corrected for 4.69 FTES overstatement noted.
- Extrapolating the error rate of 13% would have resulted in an overstatement of 105 FTES for daily census courses, and an understatement of 75 FTES for Positive Attendance FTES.

Context

The above items were noted during review of 40 Daily Census courses held during the 2012-13 academic year that were claimed for apportionment

Effect

The District was not in compliance with the Daily Census attendance accounting requirements.

Cause
It appears there were errors in scheduling Daily Census type courses. In addition, it appears the contact hours being claimed were based on the total contact hours listed on the course outline of record or college catalog.

Recommendation

The District should reconcile contact hours per the class schedule with the contact hours that are being claimed for apportionment to ensure that Daily classes being claimed for apportionment are in line with the appropriate Education Code and Student Attendance Accounting Manual procedure.

Management's Response and Corrective Action Plan

The District schedules over 4,000 course sections each primary term, and has not had adequate quality assurance processes in place to ensure that the voluminous manual data entry done for each semester is done correctly.

The District is developing automated error checking procedures to verify that all course sections have accounting methods established that are in accordance with the Student Attendance Accounting Manual for the ways that the course is scheduled. These error-checking procedures will be in place in order to ensure that all classes in the 2013/14 academic year have appropriate accounting methods established.

2013-4 Finding - To Be Arranged Hours (TBA)
Significant Deficiency – State Compliance

Criteria or Specific Requirement

Title 5 Section 55002(a)(3), 55002(b)(3), 58050(a)(5), 58051(a)(1) indicates that specific instructional activities, including those conducted during TBA hours, expected of all students enrolled in the course be included in the official course outline. In order to inform students, instructors should indicate in the syllabus or in another required assignment document both the objective and purpose of the TBA hours and the requirement that all enrolled students in the course must adhere to the designated TBA schedule. The syllabus or other document should be distributed in class so that all students have the information needed regarding TBA. (§§ 58003.1(b), 58003.1(c); Student Attendance Accounting Manual, page 3.3.). If a credit census-based course includes required instructional hours for enrolled students that are listed as "TBA" or "Hours to be Arranged" in the official schedule or addenda thereto, documentation is required to demonstrate that each student has completed the TBA requirement as appropriate for either the Weekly or Daily Census attendance accounting procedures. (§§ 58003.1(b), 58003.1(c); Student Attendance Accounting Manual, page 3.3.). Legal Advisory 08-02 and Legal Memorandum dated January 26, 2009 indicate that there must be some type of instruction provided and/or activity that is not an activity that should be done independently outside of class time. In this regard, the District should not include within TBA hours unsupervised activities.

Condition

- The outlines of all the courses reviewed did not describe the specific instructional activities for the TBA hours or did not indicate that the lab was by-arrangement.
- Six of 15 course syllabi did not inform enrolled students of the TBA instructional activities and expectations for completion of the TBA requirement.
- Attendance was provided for 8 of the 15 courses requested. However, for those 8 courses in which attendance that was provided, the documentation did not indicate that all students claimed for apportionment completed the minimum required TBA hours by census date.

- Four of 15 courses indicated in the course syllabus that the TBA activities included a component of unsupervised work.

Questioned Costs

- No questioned costs are applicable to the lack of disclosures in the course syllabus or course outlines of record.
- Questioned costs related for which attendance was not available or included unsupervised activities totaled 19.47 FTES for weekly courses and 5.19 FTES for daily courses.
- The District adjusted FTES for these courses by a reduction of 8.13 FTES for weekly courses through submission of the Recalculation 320 report, leaving a net of 11.34 FTES for weekly courses and 5.19 FTES for daily course that had not been adjusted in the Recalculation 320 report.
- Extrapolating the error rate to all TBA courses would result in an overstatement of 123.46 FTES for weekly courses and 92.16 for daily courses.

Context

We tested 15 out of 69 (21%) of courses that included TBA contact hours.

Effect

The District reported FTES for TBA courses that didn't meet the State's requirements for claiming TBA courses for apportionment.

Cause

Outlines and syllabi were not updated to incorporate the required disclosures for TBA courses. Attendance documentation was not consistently maintained to support the TBA hours being claimed. The District does not appear to have a standardized process to centralize attendance records associated with TBA course contact hours.

Recommendation

We recommend that the District establish a policy to centralize records associated with TBA attendance. A process to perform an internal review of all TBA courses claimed for apportionment prior to submission of the Annual 320 report should be implemented and should occur at least once a year. The internal review should include a review of course outlines and syllabi for proper disclosures, as well as a review of TBA attendance documents, to ensure no unsupported TBA hours are claimed for apportionment.

Management's Response and Corrective Action Plan

The District is developing a policy so that appropriate records for TBA attendance, including course syllabi and records of individual daily student attendance, will be maintained in division offices.

In addition, the District will implement an internal audit process to ensure that these records are appropriately maintained. This audit process will be conducted after each primary term and the summer session.

2013-5 Finding - GANN Limit Calculation
Significant Deficiency – State Compliance

Criteria or Specific Requirement

Article XIII-B of the California Constitution and Chapter 1205, Statutes of 1980, requires each community college to compute its annual appropriation limit.

Condition

The District included in the population factor P2 FTES for non-resident and apprenticeship students. This results in the 2012-13 Gann limit, adjusted by inflation and population factors, being overstated by $1,541,282. The population factor excluding non-resident and apprenticeship students would be 1.0224 rather than the 1.0292 used in the calculation reported CCFS-311 report submitted to the State of California.

Questioned Costs

None, due to the fact that the District is still within its appropriation limits.

Context

Article XIIIB of the State Constitution stipulates that each community college calculate the annual appropriation limit.

Effect

The District GANN Appropriation Limit was incorrectly calculated on the CCFS 311.

Cause

The cause was due to the inclusion of nonresident and apprenticeship FTES.

Recommendation

We recommend the District ensure that the form instructions are followed and nonresident and apprenticeship FTES are excluded from the calculations.

Management's Response and Corrective Action Plan

The District will conduct in-service training for preparation of the GANN limit calculation for those staff responsible for preparing the GANN limit calculation.

2013-6 Finding - Open Enrollment
Significant Deficiency – State Compliance

Criteria

Section 58051.5 indicates that no community college district may claim for purposes of state apportionment if such classes are not located in facilities clearly identified in such a manner, and established by appropriate procedures, to ensure that attendance in such classes is open to the general public.

Condition

Five non-credit, off campus, courses were held at facilities that were not clearly identified, or established by appropriate procedures, as open to the general public. The courses in question were all non-credit courses.

Questioned Costs

- 15.82 FTES reported on the Annual Form 320 were associated with courses held at facilities not clearly indicated as open to the general public.
- Extrapolating the error rate to all off campus courses would result in an overstatement of 54.75 FTES for positive attendance non-credit courses.

Context

25 of 108 (23%) of off campus courses were reviewed.

Effect

The District reported apportionment for courses located in facilities that were not clearly identified as being open to the general public.

Cause

Lack of monitoring off campus sites to ensure that policies over open access of sites are adhered to.

Recommendation

The District should review policies of facilities where off campus courses are held to ensure that access by the general public is open, unfettered, and publically disclosed.

Management Response

In the 2013/14 academic year the District will conduct an audit of the non-District locations where classes are held. This audit will verify that those locations have clear policies regarding open access for District classes. In addition, the District will establish internal controls to ensure that this open access is ensured and documented for any new proposed non-CCSF locations.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

2012-01 MATERIAL WEAKNESS - OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Criteria

GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, requires governmental employers who provide other postemployment benefits (OPEB) to employees to recognize expense and related liabilities (assets) in the entity-wide full accrual financial statements.

Condition

The District has not implemented procedures or policy to adequately provide for the funding of the liability under GASB Statement No. 45, which is continuing to increase. The Annual OPEB cost for year ended June 30, 2012 was $16,693,040; however, the amount contributed was $7,243,730, increasing the liability by $9,449,310. The OPEB liability of $45,152,375 as of June 30, 2012 contributed significantly to the negative unrestricted net asset balance of ($45,302,556) as of June 30, 2012.

Effect

The OPEB liability continues to increase at an amount greater than the amount being contributed.

Cause

Lack of funding through the budget process.

Recommendation

The District should review the effect of the implementation of GASB No. 45 on the District's financial statements. The District should consider various options in an effort to lower their liability and/or mitigate the negative impact on the financial statement on a go-forward basis.

Current Status

See Management Recommendation Letter

2012-2 SIGNIFICANT DEFICIENCY - FINANCIAL CLOSE AND REPORTING

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

The Annual Financial and Budget Report (CCFS-311) financial statements and the GASB 35 Conversion entries presented to begin the audit contained the following errors:

- The District prepaid payroll expenditures for employees who elected are paid out over 12 months during July 2012. The District did not record the $762,121 paid as a prepaid expense at June 30, 2012.
- The Health Service Premium of $850,182 for the 2012-13 fiscal year was paid in 2011-12 fiscal year was incorrectly recorded as reduction to payables and not as a prepaid expense.
- The District evaluated but did not post a provision to the allowance for doubtful student accounts. It was determined the allowance for doubtful accounts balance related to student accounts owed to the District should have been increased by an additional $467,069.
- A receivable from the Department of Human Services dated from the 2001-08 year was still maintained on the District's general ledger without consideration of actually collectability. The balance of the receivable totaled $169,087 at June 30, 2012.
- One invoice selected for testing of the Internal Service Fund was not paid in a timely manner and was improperly accrued at June 30, 2012. The amount accrued as of June 30, 2012 was $49,405.

Effect

The District's financial information included in the trial balance and the CCSF-311, as presented to the auditor's to begin the audit, contained errors. As a result, these documents did not accurately reflect the financial condition of the District.

Cause

The District's internal controls were not operating effectively to ensure that all transactions are recorded properly.

Fiscal Impact

There is no fiscal impact as the net effect of the above items is not significant to the District's financial statements.

Recommendation

The District should:

- Record prepayments as prepaid expenses on the balance sheet.
- Management should put in place a year-end close control to evaluate and post provisions to the allowance for bad debts.
- Implement a control to evaluate all receivables for collectability.
- Recognize revenue and related receivable balances only when the funds have been earned.
- Implemented a procedure to review accounts payable aging schedule in order for invoices to be paid in a timely manner, preferably within 90 days of invoice date.

Current Status

Partially implemented, see 2013-1.

2012-3 SIGNIFICANT DEFICIENCY - DEFICIT ENDING FUND BALANCE - SELF INSURANCE FUND

Criteria

The District should maintain adequate financial resources, both at an entity-wide level and at the specific fund level. Reporting standards require disclose of funds with negative fund balances.

Condition

The District maintains a Self-Insurance Fund for employee workers' compensation benefits. The District increased its assessment to the funds to recover funding for the prior years and has posted a liability within the self-insurance fund in the amount of $6.1 million. The self-insurance fund does not have sufficient assets to cover this liability which has resulted in a negative fund balance of $4.0 million. This liability would ultimately become the responsibility of the various funds which record payroll expense-specifically the District's Unrestricted General Fund. This has the possibility of negatively impacting the financial activity of the District.

Effect

There are no sufficient assets to cover the liability for self-insurance.

Cause

The District has not provided the financial resources to adequately fund the liability balance.

Fiscal Impact

Not determinable.

Recommendation

The District should determine the funding level to provide sufficient reserves for this fund to target a date to return the fund to a balances position.

The District should have an actuarial study performed at least every other year. For the years the actuarial report is not obtained, an internal model should be prepared and reviewed to capture any significant changes in activity.

Current Status

Not implemented, see 2013-2.

2012-4 DEFICIENCY - CASH RECONCILIATIONS

Criteria

Internal Control - Safeguarding of Assets

Condition

The Wells Fargo account reconciliations are not being reviewed in a timely manner. The October 2011 reconciliation was not reviewed until April 2012; the April 2012 reconciliation was not reviewed until June 2012.

Effect

Potential misappropriation of District funds or inaccurate transaction processing could occur.

Fiscal Impact

Not determinable.

Cause

The bank reconciliations should be prepared and reviewed in a timely manner.

Recommendation

Bank reconciliations should be prepared and reviewed within a month or receipt of the bank account statements.

Current Status

Implemented.

2012-5 DEFICIENCY - ASSOCIATED STUDENT BODY GOVERNMENT

Criteria

Internal Control - Safeguarding of Assets.

Condition

Sub-receipt books are not used by clubs to record revenues earned.

Effect

Potential misappropriation of Associated Student Body funds.

Cause

Adequate internal control have not been effectively designed or implemented.

Fiscal Impact

Not determinable.

Recommendation

Sub-receipt books should be used by clubs when they fundraise to ensure deposits are complete. In addition, the Bursar should keep a listing of sub-receipt books issued to clubs.

Current Status

Not implemented, See 2013-3.

2012-6 - PREPARATION OF SCHEDULE OF FEDERAL AWARDS

Criteria

OMB Circular A-133, Section 310 (b) requires recipients of federal funds to prepare a schedule of expenditures of federal awards for the period covered by the financial statements being audited. At a maximum, the schedule of expenditures of federal awards should include:

1. A list of federal programs, indentified by federal agency.
2. For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
3 Total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
4. Include notes that describe the accounting policies used in preparing the schedule.
5 Pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
6. The value of the Federal awards expended in the form on non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end.

Condition

The District does not have procedures in place to ensure that the schedule of federal awards is properly and accurately completed and reviewed by District staff prior to the start of the audit.

Effect

The District is not in compliance with Federal requirements.

Cause

lack of training and oversight of federal compliance requirements.

Fiscal Impact

None

Recommendation

The District should develop and implement procedures to ensure that the Schedule of Federal Awards is properly and accurately completed and reviewed by District staff prior to the start of the audit.

Current Status

Implemented.

2012-07 DEFICIENCY - INVENTORY OF CAPITAL ASSETS

Criteria

The A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program that acquired it or, when appropriate, other Federal programs. Equipment records shall be maintained; a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records.

Condition

The last physical inventory report was completed for the period ending June 30, 2009 (report dated January 6, 2010). The District did not complete a physical inventory of capital assets for the period ending June 30, 2012, thus not complying with the bi-annual requirement.

Effect

The District is not in compliance with Federal requirements for physical inventory of equipment.

Cause

The District did not prepare records of physical inventory of equipment for the period ending June 30, 2012.

Fiscal Impact

Unknown.

Recommendation

The District should perform an inventory count of equipment every two years to comply with A-102 Common rule and OMB Circular A-110.

Current Status

Implemented.

2012-08 - STATE COMPLIANCE - DEFICIENCY - ATTENDANCE

Criteria

2011-12 Contracted District Audit Manual, Item No. 424, State General Apportionment Funding System - Updated.

Condition

The District's contract hour calculation for one daily census course included an extra meeting time resulting in the overstated of 0.22 actual FTES and an extrapolated overstatement of 16.7 FTES.

The District's determination of census dated for daily census courses did not apply rounding rules. As a result, 85 daily census courses had late census dates of which 22 courses had student drops resulting in an understatement of 2.99 FTES.

The District classified six weekly census courses as daily census resulting in an understatement of 0.21 FTES.

In general, the District calculates contact hours based on actual meeting times in accordance with attendance guidance but actual meeting times for partial hour, short-term classes are not accurately published in the schedule of classes.

Effect

Actual contact hours were understated in the CCFS-320 Annual by 2.98. The District resubmitted the CCFS-320 to correct the overstatement of 0.17 FTES for Spring semester daily census courses with incorrect census dates.

There is an extrapolated overstatement of 16.7 FTES for the meeting time error for daily census courses.

Cause

Effective internal controls are not in place over the calculation of contact hour in accordance with applicable compliance requirements.

Fiscal Impact

Not determinable.

Recommendation

The District should develop procedures to ensure all contact hours are calculated in accordance with compliance requirements.

Current Status

Partially implemented, see 2013-4.

2012-09 - STATE COMPLIANCE - DEFICIENCY - STUDENT FEES - HEALTH FEES AND USED OF HEALTH FEE FUNDS

Criteria

CCR, Title 5, Section 54706(b) - Expenses Not Funded

Condition

Per CCR, Title 5, Section 54706 - Expenses Not Funded, the District cannot expend health fee funds on Administrative salaries (Assistant Dean Level or its equivalent and above). The District used health fee funds for the salary of the Associate Dean, Clinic Director.

Effect

The District used student health funds for purposes no longer allowed by the CCR, Title 5, Section 54706(b).

Cause

District did not fully review expenditures in relation to student health fees.

Fiscal Impact

Not determinable.

Recommendation

The District should ensure District procedures include a review of expenditures charged to the Student Health Fee fund to ensure they are allowable in relation to areas approved by the CCR, Title 5.

Current Status

Implemented.

2012-10 - STATE COMPLIANCE - DEFICIENCY - CalWORKS

Criteria

Education Code Sections 79200-79203 & 84759

Condition

The District transferred in funds from the unrestricted General fund to meet the time and effort reporting ratio for the Dean of Student Financial Aid. While this meets the tests for an objective allocation method, it is inconsistent with the California State Chancellor's Office's California Community College District Audit Manual requirements for restricted fund program transfers, and the District's standard treatment of restricted fund transfers.

Effect

The District in not in compliance with California Community College District Audit Manual requirements.

Cause

The District's internal controls lack sufficient human capital resources to administer budget and actual labor distributions during year-end rollover and periodically throughout the year.

Fiscal Impact

No Fiscal impact. The District transferred into the CalWORKS program in excess of the required seventy-five percent of the Dean's salary.

Recommendation

The District should strengthen its position control review and system adjustment to ensure all employees are charged to the correct funding source and in the right percentages.

Current Status

Implemented.

2012-11 - STATE COMPLIANCE - DEFICIENCY - EXTENDED OPPORTUNTY PROGRAMS (EOPS) AND COOPERATIVE AGENCIES RESOURCES FOR EDUCATION (CARE)

Criteria

Per guidelines set forth by the California Community College's Chancellor's Office, each CARE program shall have an advisory committee and/or interagency group. The CARE advisory committee and/or interagency group shall meet at least twice during each academic year.

Condition

The District did not hold on second CARE advisory committee meeting during the academic year.

Effect

The District is not in compliance with state requirements to hold two CARE advisory committee meetings per academic year.

Cause

The District maintains a joint EOPS and CARE advisory committee meeting, however the committee only met once during the academic year.

Fiscal Impact

Not determinable.

Recommendation

The District should implemented procedures to ensure the EOPS and CARE advisory committees hold two meetings each academic year.

Current Status

Implemented.

2012-12 - STATE COMPLIANCE - DEFICIENCY - DISABILITY STUDENT PROGRAM AND SERVICES (DSPS)

Criteria

CCR, Title 5 Section 56022: "An up-to-date SEC (Student Education Contract) for the current year, signed by the student and the DSPS professional staff person, should be available in the file of the student receiving services paid through the DSPS office."

Condition

The District did not obtain up-to-date SEC contracts for all students served by DSPS.

Effect

The extrapolated effect of the error projects 70 or of 1,770 or 3.95% DSPS students did not have up-to-date contracts.

Cause

The error resulted from a SEC not being singed due to not meeting with the DSPS counselor.

Fiscal Impact

Not determinable.

Recommendation

All students participating in DSPS should be required to complete an SEC.

Current Status

Implemented.