SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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FINANCIAL SECTION

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of San Francisco Community College District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

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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, 2014, 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.

Emphasis of Matter Change 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 Governmental Accounting Standards Board (GASB) Statement No. 65 for the year ended June 30, 2014. 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 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by 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 accompanying 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, 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, 2014

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, 2014. 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 on assets, liabilities, and the difference between these two measurement groups and is reported as of June 30, 2014. 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, 2013 and through June 30, 2014. 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, 2013 through June 30, 2014.

During Fiscal year 2014, the District earned $92.0 million in State Apportionment. The apportionment includes $22.8 million in Education Protection Act Funds. Sales tax revenue decreased by $0.3 million, or 1.5 percent. Non-resident tuition decreased by $0.4 million dollars, or 5.0 percent, over the prior year. Unrestricted lottery income increased by $0.8 million, or 22.4 percent, over the prior year. Non-capital grants and contracts decreased by $12.5 million or 17.5 percent and local property taxes for general purposes increased by $5.3 million or 12 percent.

Salaries and fringe benefit expenses decreased over the prior year in the amount of $7.9 million or 3.9 percent. Of this amount, $6.3 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 $7.9 million, or 17.5 percent, over the prior year. Unrestricted Net Position went from a deficit $45.3 million at the end of the fiscal year 2013 to $37.4 million at the end of fiscal year 2014.

Total Net Position, which combines Restricted, Invested, and Unrestricted categories, experienced a net decrease of $10.5 million over the prior year.

ANALYSIS OF NET POSITION - FISCAL 2014

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 $124.9 million at the end of fiscal year 2014. Of this amount, a deficit of ($37.4) 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)	2014	2013	Dollar Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash, and short term receivables	$ 49,199	$ 54,659	$ (5,460)	-10.0%
Prepaid expenses and other assets	2,807	1,426	1,381	96.8%
Total Current Assets	52,006	56,085	(4,079)	-7.3%
Non-Current Assets				
Restricted cash and investments	63,557	64,116	(559)	-0.9%
Other non-current assets	10,677	12,240	(1,563)	-12.8%
Capital assets, net of depreciation	431,266	469,059	(37,793)	-8.1%
Total non-current assets	505,500	545,415	(39,915)	-7.3%
Total Assets	557,506	601,500	(43,994)	-7.3%
LIABILITIES				
Current Liabilities				
Deficit cash and investments	-	24,328	(24,328)	-100.0%
Accounts payable and accrued liablities	9,208	9,867	(659)	-6.7%
Unearned revenue	3,142	3,735	(593)	-15.9%
Long-term liabilities - current portion	17,648	22,441	(4,793)	-21.4%
Total Current Liabilities	29,998	60,371	(30,373)	-50.3%
Non-Current liabilities				
Long-term liabilities	402,606	405,764	(3,158)	-0.8%
Total non-current liabilities	402,606	405,764	(3,158)	-0.8%
Total Liabilities	432,604	466,135	(33,531)	-7.2%
NET POSITION				
Net investment in capital assets	149,087	171,567	(22,480)	-13.1%
Restricted	13,185	9,073	4,112	45.3%
Unrestricted	(37,370)	(45,275)	7,905	-17.5%
Total Net Position	$ 124,902	$ 135,365	$ (10,463)	-7.7%

For the year ended June 30, 2014, Total Net Position decreased by $10.5 million or 7.7 percent. All of this is the result of current year fiscal activities.

Total Current Asset decreased $4.1 million over the prior year. Cash and short-term receivables decreased over the prior year by $5.5 million, or 10 percent. Individual component changes are as follows: Cash and investments increased over the prior year by $8.2 million while state and local accounts receivables decreased by $9.5 million due to improved cash flow from state apportionment. The student receivables decreased by $2.8 million. Inventories and prepaid assets remained virtually unchanged. Finally, other assets - current portion of approximately $950 thousand represents the District’s negative banked overload.

Non-current Assets decreased $40.0 million or 7.3 percent over the prior year. The main items comprising the net change are a decrease in restricted cash and investments in the amount of $0.6 million or 0.9 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 $37.8 million or 8.1 percent over prior year. These reductions are the result of the depreciation expense.

Total current liabilities decreased by $6.0 million or 43.9 percent. Accounts payable, accrued liabilities, and unearned revenue remained relatively stable. The remaining current portion of long-term liabilities, which are amounts due within the current fiscal year decreased $4.8 million or 21.4 percent. Components that comprise the change are: a decrease in compensated absences for classified, faculty and administrative personnel, a decrease in bonds premiums, a decreased in scheduled Bond payments, and a decrease in capital leases.

Non-current liabilities decreased $3.2 million, or 0.8 percent. General Obligation Bonds payable decreased $15.2 million dollars as a result of scheduled coupon payments funded through property taxes. Unamortized bond premium in the amount of $1.2 million decreased over prior year. Compensated absences for classified and administrator decreased $2.7 million or 27 percent while banked overload for faculty increased $0.4 million or 32 percent. Claims payable (mainly workers compensation) decreased $1.1 million or 22 percent. Capital leases decreased $0.2 million or 23 percent. OPEB obligations increased by $10.1 million. This increase is almost entirely due to the accrued unfunded portion of the OPEB obligation. Of this amount $18.7 million represents the annual required contribution. The District contributed $7.7 million towards the District's annual required contribution through payment of retiree benefits.

Within the net position of the District are certain amounts restricted for specific purposes. Educational programs restricted balances were virtually unchanged and amounted to $3.6 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.

Capital projects restricted balances increased $4.1 million or 45.3 percent over the prior year balance. The source of the increase is due to the collection of state and local capital grant receivables during the fiscal year. These funds 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 16.

Table 2

(Amounts in thousands)	2014	2013	Dollar Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	$ 22,801	$ 23,667	$ (866)	-3.7%
Auxiliary services and other	3,869	6,715	(2,846)	-42.4%
Total Operating Revenues	26,670	30,382	(3,712)	-12.2%
Operating Expenses				
Salaries and benefits	195,044	202,947	(7,903)	-3.9%
Supplies and maintenance	31,206	33,280	(2,074)	-6.2%
Student financial aid	34,285	42,634	(8,349)	-19.6%
Depreciation	38,750	38,991	(241)	-0.6%
Total Operating Expenses	299,285	317,852	(18,567)	-5.8%
OPERATING LOSS	(272,615)	(287,470)	14,855	-5.2%
NON-OPERATING REVENUES AND (EXPENSES)				
State apportionments	91,985	91,365	620	0.7%
Grants and contracts	59,016	71,532	(12,516)	-17.5%
Local property taxes	50,629	45,373	5,256	11.6%
Taxes levied for debt service	31,919	31,073	846	2.7%
Taxes levied for other specific purposes	15,031	-	15,031	100.0%
Local taxes and other revenues	16,621	16,889	(268)	-1.6%
Other state revenue	6,744	5,776	968	16.8%
Investment income (net)	500	1,015	(515)	-50.7%
Interest expense on capital asset - related debt	(15,220)	(14,525)	(695)	4.8%
Transfer from fiduciary fund	55	613	(558)	100.0%
Transfer to fiduciary fund	(323)	(372)	49	-13.2%
Other nonoperating revenues	5,240	8,327	(3,087)	-37.1%
Total nonoperating revenues	262,197	257,066	5,131	2.0%
Loss before capital revenues	(10,418)	(30,404)	19,986	-65.7%
CAPITAL REVENUES				
State grant and contracts	1,197	1,780	(583)	-32.8%
Local property taxes and revenues	205	4	201	5025.0%
Total other revenues	1,402	1,784	(382)	-21.4%
Increase (Decrease) in Net Position	(9,016)	(28,620)	19,604	-68.5%
Net Position, Beginning of Year	135,365	152,075	(16,710)	-11.0%
Restatement	(1,447)	11,910	(13,357)	100.0%
NET POSITION, END OF YEAR, RESTATED	$ 124,902	$ 135,365	$ (10,463)	-7.7%

Tuition and fees net of scholarships and allowances decreased $0.9 million or 3.7 percent over the prior year. Auxiliary revenue is comprised of the bookstore and cafeteria net revenues. The Board of Trustees approved a 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.

Consolidated operating expenses decreased by $18.6 million over the prior year. Salaries and benefits decreased $7.9 million or 3.9 percent over the prior year and the reduction was primarily achieved due to attrition and enrollment management as a result of changes in course offerings.

Supplies, maintenance, utilities, and other operating expenses and services decreased by $2.1 million or 6.2 percent. Depreciation, a non-cash expenditure, decreased $0.2 million or 0.6 percent. Asset retirements and their associated adjustment for depreciation are included in this category.

Total non-operating revenues increased by $5.1 million or 2.0 percent over the prior year. Federal and state grants, including Pell Grants, a direct pass-thru to students, and other grants decreased $12.5 million or 17.5 percent over the prior year. State apportionment increased by $0.6 million or 0.7 percent over the prior year. Local property tax revenues increased $5.3 million or 11.6 percent. Taxes levied for debt service increased $0.8 million or 2.7 percent. Tax levied for other specific purposes, a new category in the current year was $15.0 million in the current year for a local parcel tax, measure A. Other changes include an increase of other state revenue of $1.0 million, an increase in interest costs and decrease in interest earnings of $1.2 million and decrease of non-operating revenue of $3.6 million from prior year.

Capital revenues decreased $0.4 million or 21.4 percent over the prior year. State grant have a decrease of $0.6 million or 32 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.

Functional Expenses

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

2014

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 75,408,975	$ 4,302,137	$ -	$ -	$ 79,711,112
Academic support	36,158,045	1,293,718	-	-	37,451,763
Student services	8,722,778	318,474	-	-	9,041,252
Plant operations and maintenanc	27,367,073	1,436,871	-	-	28,803,944
Instructional support services	9,345,684	8,491,442	-	-	17,837,126
General Institutional Support services	31,840,873	12,767,604	-	-	44,608,477
Community services and economic development	1,883,549	787,289	-	-	2,670,838
Auxiliary Services & Auxiliary Operations	4,316,876	1,808,915	-	-	6,125,791
Student aid	-	-	34,284,621	-	34,284,621
Depreciation expense	-	-	-	38,750,000	38,750,000
Total expenses	$ 195,043,853	$ 31,206,450	$ 34,284,621	$ 38,750,000	$ 299,284,924

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
Ancillary services and auxiliary operations	5,736,529	5,783,828	-	130,718	-	11,651,075
Student aid	-	-	42,634,277	-	-	42,634,277
Physical property and related acquisitions	-	7,166,834	-	-	-	7,166,834
Unallocated depreciation	-	-	-	-	38,990,945	38,990,945
	$ 202,946,655	$ 30,383,508	$ 42,634,277	$ 2,896,827	$ 38,990,945	$ 317,852,212

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District as of June 30, 2014, amounted to a total of $431 million. (See Note 6 - Capital Assets in the financial statements for a listing of asset class). Of this amount, the non-depreciable portion, composed of land and construction in progress, was $57 million or 8 percent. Depreciable capital assets, totaled $664 million or 92 percent. Total accumulated depreciation was $290 million, resulting in net depreciable capital assets of $431 million.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	$ 56,210	$ 957	$ -	$ 57,167
Buildings and improvements	633,201	-	-	633,201
Equipment and vehicles	30,737	-	-	30,737
Subtotal	720,148	957	-	721,105
Accumulated depreciation	(251,089)	(38,750)	-	(289,839)
	$ 469,059	$ (37,793)	$ -	$ 431,266

The District calculates depreciation using the straight-line method and the mid-year convention. The District participates in a physical asset count every three years. Depreciation expense amounted to $38.7 million for the year. There were no significant outstanding construction commitments as of June 30, 2014.

Obligations

The major changes for the District's long-term obligations are the increase of the Other Post-Employment Benefits of $11 million, 22 percent compared to prior year, offset by the decrease in compensated absences and other obligations.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 355,432	$ -	$ 16,542	$ 338,890
Other liabilities	72,773	8,590	-	81,363
Total Long-Term Debt	$ 428,205	$ 8,590	$ 16,542	$ 420,253
Amount due within one year				$ 17,648

DEBT FINANCING

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

A Citizens' Oversight Committee consisting of members from key constituencies of the community services as an advisory committee to the District's Board of Trustees. These constituencies include the San Francisco Taxpayers Association, the San Francisco Chamber of Commerce, senior citizens groups, City College students, and the Foundation. 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.

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, 2014, the entire $195.0 million of the 2001 authorization and $246.3 million of the 2005 authorization had been sold and the proceeds are being used to fund over approved projects.

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. Through June 30, 2014 the District has maintained these respective ratings.

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 77 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 percent; lottery, 3 percent; non-resident tuition, 6 percent; and other revenues, 5 percent.

- The District has planned a relatively flat budget and made conservative revenue assumptions for all major sources of funding for fiscal year 2014-2015 to work within the projected level of State and local revenue. The District actively monitors both revenues and expenditures to ensure that prompt actions are taken in response to developments as they occur.

- In November 2012 voters passed the State Proposition 30 ballot initiative. Additionally, in San Francisco voters passed a local parcel tax, measure A. The value of proposition 30 funds in the 2014-15 budget year are $23.9 million. The value of Measure A funding is estimated by the City Controller to generate approximately $15.2 million annually in each of eight consecutive years. Both Proposition 30 and Measure A funding will make it possible for the District to rebuild its Board designated reserves and address its employer share of post-employee benefits liabilities during the currently Board approved 8 year budget plan.

- Included in the State's fiscal year 2014-15 adopted budget was Senate Bill 860. This legislation provides the District with three years of extended stability funding despite the reduction in enrollments. More specifically, the three years of extended stability funding calls for funding levels as follows:

  - For fiscal year 2014-15, a funding level not less than was received in fiscal year 2012-13
  - For fiscal year 2015-16, an amount not less than 95% of what was received in fiscal year 2012-13 or revenue derived from actual enrollment
  - For fiscal year 2016-17, an amount not less than 90% of what was received in fiscal year 2012-13 or revenue derived from actual enrollment

  The District has incorporated these funding levels into its long range budget and planning models.

- In July 2012, the ACCJC issued a Show Cause sanction to CCSF. In October 2012, CCSF submitted the first of two required reports (the "Special Report") to the ACCJC to demonstrate progress toward resolving the issues raised by the ACCJC contained within four of the Eligibility Requirements and within 14 Recommendations regarding the Standards. An Institutional Self Evaluation Report, along with its enclosed Closure Report, collectively constituted the "Show Cause Report," the second of the two required reports, which the College submitted in March 2013. The ACCJC conducted a Show Cause visit in April 2013 and took action to terminate CCSF's accreditation effective July 2014. CCSF appealed the termination action pursuant to the ACCJC Bylaws and the ACCJC Appeals Manual. On June 13, 2014, the Hearing Panel of the Accrediting Commission of Community and Junior Colleges issued its decision remanding the case back to the Commission for further evaluation. On July 21, 2014, the Commission confirmed that it would uphold its prior decision.

  In June 2014, the Accrediting Commission for Community and Junior Colleges announced a proposed new accreditation policy for institutions that have been notified of termination for failure to meet ACCJC standards. Under this new policy, an institution can apply for restoration of its accreditation prior to the effective date of termination. After careful consideration, City College of San Francisco submitted an application for Restoration Status to the Accrediting Commission for Community and Junior Colleges on July 28, 2014. This decision was reached after a thorough review of all possible avenues forward. On July 30, 2014, ACCJC accepted the application. Based upon this application, the District prepared and presented an institutional self-evaluation report that was submitted to the ACCJC in October 2014. A visiting team representing the ACCJC conducted a site evaluation in November 2014. The visiting team's report summarizing the site visit and the District's institutional self-evaluation will be discussed at the ACCJC's next regularly scheduled meeting in January 2015.

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, 2014

ASSETS	
Current Assets	
Cash and cash equivalents	$ 13,782,509
Accounts receivable, net	33,147,499
Student loans receivable, net	2,268,477
Prepaid expenses - current portion	1,782,326
Prepaid expenses - bond insurance current portion	46,558
Inventories	35,275
Other assets - current portion	943,203
Total Current Assets	52,005,847
Noncurrent Assets	
Restricted cash and cash equivalents	63,557,238
Prepaid expenses - noncurrent portion	9,800,000
Prepaid expenses - bond insurance	562,130
Other assets	314,401
Nondepreciable capital assets	57,166,906
Depreciable capital assets, net of depreciation	374,099,370
Total Noncurrent Assets	505,500,045
TOTAL ASSETS	557,505,892
LIABILITIES	
Current Liabilities	
Accounts payable	9,208,392
Due to other funds	200
Unearned revenue	3,142,101
Claims liability - current portion	730,000
Bonds payable - current portion	16,655,128
Lease obligations - current portion	162,666
Other long-term obligations - current portion	100,000
Total Current Liabilities	29,998,487
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	7,421,055
Bank overload	3,023,055
Claims liability - noncurrent portion	3,392,214
Bonds payable - noncurrent portion	322,235,011
Lease obligations - noncurrent portion	451,587
Other postemployment benefits obligation	66,082,607
Total Noncurrent Liabilities	402,605,529
TOTAL LIABILITIES	432,604,016
NET POSITION	
Net investments in capital assets	149,087,417
Restricted for:	
Debt service	3,061,926
Capital projects	5,944,040
Educational programs	4,144,638
Other activities	33,964
Unrestricted	(37,370,109)
TOTAL NET POSITION	$ 124,901,876

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, 2014

OPERATING REVENUES	
Student Tuition and Fees	$ 35,764,439
Less: Scholarship discount and allowance	(12,963,789)
Net tuition and fees	22,800,650
Auxiliary Enterprise Sales and Charges	
Bookstore	489,918
Cafeteria	746,442
Other revenue	2,632,736
TOTAL OPERATING REVENUES	26,669,746
OPERATING EXPENSES	
Salaries	132,668,520
Employee benefits	62,375,333
Supplies, materials, and other operating expenses and services	31,206,450
Student financial aid	34,284,621
Depreciation	38,750,000
TOTAL OPERATING EXPENSES	299,284,924
OPERATING LOSS	(272,615,178)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	91,984,970
Local property taxes, levied for general purposes	50,628,603
Taxes levied for debt service	31,919,416
Taxes levied for other specific purposes	15,030,694
Local sales tax	16,620,883
Federal grants	41,553,953
State grants	17,461,770
State taxes and other revenues	6,744,221
Investment income	500,047
Interest expense on capital related debt	(15,220,148)
Transfer from fiduciary funds	55,414
Transfer to fiduciary funds	(323,106)
Other nonoperating revenue	5,240,155
TOTAL NONOPERATING REVENUES (EXPENSES)	262,196,872
LOSS BEFORE OTHER REVENUES	(10,418,306)
State revenues, capital	1,196,813
Local revenues, capital	205,129
TOTAL OTHER REVENUES	1,401,942
CHANGE IN NET POSITION	(9,016,364)
NET POSITION, BEGINNING OF YEAR, RESTATED	133,918,240
NET POSITION, END OF YEAR	$ 124,901,876

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 27,835,125
Payments to vendors for supplies and services	(34,144,516)
Payments to or on behalf of employees	(186,247,727)
Payments to students for scholarships and grants	(34,284,621)
Auxiliary enterprise sales and charges:	
Bookstore	489,918
Cafeteria	746,442
Other operating receipts (payments)	710,615
Net Cash Flows From Operating Activities	(224,894,764)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	100,554,772
Local property taxes	50,628,603
Taxes levied for other specific purposes	15,030,694
Sales taxes	16,620,883
Federal grants	45,822,669
State grants	18,166,392
State taxes and other revenues	6,744,221
Agency fund receipts	(267,692)
Other nonoperating	3,273,701
Net Cash Flows From Noncapital Financing Activities	256,574,243
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(956,991)
State revenue, capital projects	1,196,813
Local revenue, capital projects	205,129
Property taxes - related to capital debt	31,919,416
Principal paid on capital debt	(15,364,468)
Interest paid on capital debt	(15,220,148)
Net Cash Flows From Capital Financing Activities	1,779,751
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	500,047
Net Cash Flows From Investing Activities	500,047
NET CHANGE IN CASH AND CASH EQUIVALENTS	33,959,277
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	43,380,470
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 77,339,747

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	$ (272,615,178)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	38,750,000
Changes in Assets and Liabilities:	
Student receivables	2,765,998
Inventories	12,618
Prepaid expenses	(1,012,998)
Accounts payable and accrued liabilities	7,204,796
Total Adjustments	47,720,414
Net Cash Flows From Operating Activities	$ (224,894,764)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 13,782,509
Cash in county treasury	63,557,238
Total Cash and Cash Equivalents	$ 77,339,747
NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 5,302,096

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

ASSETS	
Cash and cash equivalents	$ 8,496,789
Accounts receivable, net	195,675
Student loan receivable, net	29,590
Due from primary government	200
Prepaid expenses	1,900
Capital assets	1,775
Total Assets	8,725,929
LIABILITIES	
Accounts payable	178,038
Unearned revenue	117,106
Total Liabilities	295,144
NET POSITION	
Unreserved	8,430,785
Total Net Position	$ 8,430,785

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, 2014

ADDITIONS	
Federal revenues	$ 10,296
Tuition and fees	162,156
Foundation sources	
Interest income	3,810
Transfer from District, net local revenue	2,028,749
Total Additions	2,205,011
DEDUCTIONS	
Classified salaries	188,066
Employee benefits	1,693
Books and supplies	345,776
Services and operating expenditures	818,691
Student financial aid	1,619,633
Total Deductions	2,973,859
OTHER FINANCING SOURCES (USES)	
Operating transfers in	323,106
Operating transfers out	(55,414)
Total Other Financing Sources (Uses)	267,692
Change in Net Position	(501,156)
Net Position - Beginning	8,931,941
Net Position - Ending	$ 8,430,785

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, 2014, 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 $1,500,317 for the year ended June 30, 2014.

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.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are 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.

Unearned Revenue

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

Noncurrent Liabilities

Noncurrent liabilities include 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. The government wide financial statements report $124,901,876 of restricted net position, of which $13,184,568 is restricted by enabling legislation.

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, 2014, was $5,302,096 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.

Change in Accounting Principles

As the result of implementing GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2013, by $1,447,135. The decrease results from no longer deferring and amortizing bond issuance costs.

New Accounting Pronouncements

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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a State or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a State or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a State or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a State or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Comparative Financial Information

Comparative financial information for the prior year has been presented for additional analysis; certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

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, 2014, consist of the following:

Primary Government cash and cash equivalents	$ 77,339,747
Fiduciary cash and cash equivalents	8,496,789
Total Deposits and Investments	$ 85,836,536

Deposits and investments of the Fiduciary Funds as of June 30, 2014, consist of the following:

Cash on hand and in banks	$ 5,531,757
Investments	80,304,779
Total Deposits and Investments	$ 85,836,536

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 investing in the 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	$ 80,304,779	711

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, 2014.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2014
County Pool - San Francisco County	$ 80,304,779	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, 2014, approximately $1,500,000 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 2014 are as follows:

Federal Government	
Categorical aid	$ 2,429,182
State Government	
Apportionment	17,489,590
Categorical aid	2,030,745
Local Sources	
Other local sources	11,197,982
Total	$ 33,147,499

Student receivables	$ 3,768,794
Less allowance for bad debt	(1,500,317)
Student receivables, net	$ 2,268,477

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, 2014, the remaining prepaid rent balance was $9,800,000.

Preapid rent	$ 9,800,000
Prepaid insurance	1,532,831
Prepaid other	249,495
Total	$ 11,582,326

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2014, 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	26,998,296	956,991	-	27,955,287
Total Capital Assets Not Being Depreciated	56,209,915	956,991	-	57,166,906
Capital Assets Being Depreciated				
Land improvements	148,797,838	-	-	148,797,838
Buildings and improvements	484,403,644	-	-	484,403,644
Furniture and equipment	29,434,391	-	-	29,434,391
Vehicles	1,302,168	-	-	1,302,168
Total Capital Assets Being Depreciated	663,938,041	-	-	663,938,041
Total Capital Assets	720,147,956	956,991	-	721,104,947
Less Accumulated Depreciation				
Land improvements	106,093,477	17,000,000	-	123,093,477
Buildings and improvements	121,432,465	20,000,000	-	141,432,465
Furniture and equipment	22,391,013	1,700,000	-	24,091,013
Vehicles	1,171,716	50,000	-	1,221,716
Total Accumulated Depreciation	251,088,671	38,750,000	-	289,838,671
Net Capital Assets	$ 469,059,285	$ (37,793,009)	$ -	$ 431,266,276

Depreciation expense for the year was $38,750,000.

Interest expense related to capital debt for the year ended June 30, 2014 was $15,220,148; no amount was capitalized as no significant amount of construction occurred in the fiscal year.

Construction in Progress includes approximately $24 million of expenditures related to the suspended Performing Arts Center 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.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable for the District as of June 30, 2014 consisted of the following:

Accrued payroll	$ 5,823,473
Other	3,384,919
Total	$ 9,208,392

NOTE 8 - UNEARNED REVENUE

Unearned revenue as of June 30, 2014 consisted of the following:

Federal financial assistance	$ 186,107
State categorical aid	2,360,665
Other local	595,329
Total	$ 3,142,101

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, 2014, the primary government owed the fiduciary funds $200.

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 2014 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to $55,414. The amount transferred to the fiduciary funds from the primary government was $323,106.

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	$ 26,785,000	$ -	$ 1,335,000	$ 25,450,000	$ 1,410,000
Series B	69,250,000	-	5,120,000	64,130,000	5,325,000
Series C	38,870,000	-	1,390,000	37,480,000	1,460,000
General obligation bonds, Series 2005					
Series A	74,430,000	-	2,660,000	71,770,000	2,795,000
Series B	95,355,000	-	3,395,000	91,960,000	3,565,000
Series C	8,380,000	-	1,280,000	7,100,000	1,315,000
Series D	30,660,000	-	-	30,660,000	-
Unamortized bond premium	11,702,250	-	1,362,111	10,340,139	785,128
Total Bonds and Notes Payable	355,432,250	-	16,542,111	338,890,139	16,655,128
Other Liabilities					
Compensated absences	10,115,709	-	2,694,654	7,421,055	-
Load banking	1,300,918	1,722,137	-	3,023,055	-
Capital leases	798,721	-	184,468	614,253	162,666
Settlement Agreement	193,025	-	93,025	100,000	100,000
Claims liability	5,256,823	-	1,134,609	4,122,214	730,000
Net OPEB obligation	55,107,896	18,655,949	7,681,238	66,082,607	-
Total Other Liabilities	72,773,092	20,378,086	11,787,994	81,363,184	992,666
Total Long-Term Obligations	$ 428,205,342	$ 20,378,086	$ 28,330,105	$ 420,253,323	$ 17,647,794

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, 2014, were $25,450,000, $64,130,000, and $37,480,000, 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, 2014, were $71,770,000, $91,960,000, $7,100,000, and $30,660,000, respectively.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2013	Redeemed	Bonds Outstanding June 30, 2014
2002	06/15/26	2.5%-5.375%	$ 38,000,000	$ 26,785,000	$ 1,335,000	$ 25,450,000
2004	06/15/24	3.0%-5.5%	110,000,000	69,250,000	5,120,000	64,130,000
2006	06/15/31	4.0%-5.0%	47,000,000	38,870,000	1,390,000	37,480,000
2006	06/15/31	4.0%-5.0%	90,000,000	74,430,000	2,660,000	71,770,000
2007	06/15/31	4.0%-5.0%	110,000,000	95,355,000	3,395,000	91,960,000
2010	06/15/19	.40%-4.0%	15,640,000	8,380,000	1,280,000	7,100,000
2010	06/15/30	4.0%-5.0%	30,660,000	30,660,000	-	30,660,000
				$ 343,730,000	$ 15,180,000	$ 328,550,000

2001 Series A bonds mature through 2026 as follows:

Fiscal Year	Principal	Interest	Total
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	1,735,000	995,469	2,730,469
2020-2024	11,415,000	3,450,925	14,865,925
2025-2026	6,195,000	468,500	6,663,500
Total	$ 25,450,000	$ 9,738,225	$ 35,188,225

2001 Series B bonds mature through 2024 as follows:

Fiscal Year	Principal	Interest	Total
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	6,230,000	1,991,606	8,221,606
2020-2024	35,290,000	5,069,500	40,359,500
Total	$ 64,130,000	$ 17,909,280	$ 82,039,280

2001 Series C bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
2015	$ 1,460,000	$ 1,810,837	$ 3,270,837
2016	1,530,000	1,737,838	3,267,838
2017	1,610,000	1,676,637	3,286,637
2018	1,690,000	1,612,237	3,302,237
2019	1,770,000	1,527,737	3,297,737
2020-2024	10,280,000	6,360,725	16,640,725
2025-2029	13,020,000	3,543,000	16,563,000
2030-2031	6,120,000	462,500	6,582,500
Total	$ 37,480,000	$ 18,731,511	$ 56,211,511

2005 Series A bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
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	3,395,000	2,881,677	6,276,677
2020-2024	19,690,000	11,929,138	31,619,138
2025-2029	24,930,000	6,604,926	31,534,926
2030-2031	11,715,000	885,500	12,600,500
Total	$ 71,770,000	$ 35,323,500	$ 107,093,500

2005 Series B bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
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	4,335,000	3,627,856	7,962,856
2020-2024	25,145,000	14,966,230	40,111,230
2025-2029	32,045,000	8,651,200	40,696,200
2030-2031	15,070,000	1,139,000	16,209,000
Total	$ 91,960,000	$ 44,862,961	$ 136,822,961

2005 Series C bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest	Total
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	$ 7,100,000	$ 742,162	$ 7,842,162

2005 Series D bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest	Total
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	-	1,497,300	1,497,300
2020-2024	7,955,000	6,729,750	14,684,750
2025-2029	9,985,000	4,706,300	14,691,300
2030-2034	12,720,000	1,970,500	14,690,500
Total	$ 30,660,000	$ 20,893,050	$ 51,553,050

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
2015	$ 100,000
Total	$ 100,000

Capital Leases

The District leases equipment under capital lease agreements, secured by capital assets with net book value $534,162. 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
2015	$ 162,666
2016	156,534
2017	148,845
2018	146,208
Total	614,253
Less: Amount Representing Interest	(71,125)
Present Value of Minimum Lease Payments	$ 543,128

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2014, was $7,536,192, and contributions made by the District during the year were $7,681,238. Interest on the net OPEB obligation and adjustments to the annual required contribution were $2,204,316 and $8,915,441, respectively, which resulted in an increase to the net OPEB obligation of $10,974,711. As of June 30, 2014, the net OPEB obligation was $66,082,607. 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 2013-2014, the District contributed $7,681,238 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	$ 7,536,192
Interest on net OPEB obligation	2,204,316
Adjustment to annual required contribution	8,915,441
Annual OPEB cost (expense)	18,655,949
Contributions made	(7,681,238)
Increase in net OPEB obligation	10,974,711
Net OPEB obligation, July 1, 2013	55,107,896
Net OPEB obligation, June 30, 2014	$ 66,082,607

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
2012	$ 16,693,040	$ 7,243,730	43%	$ 45,152,375
2013	$ 16,897,298	$ 7,243,730	43%	$ 55,107,896
2014	$ 18,655,949	$ 7,681,238	41%	$ 66,082,607

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	95,389,727
UAAL as Percentage of Covered Payroll	198.33%

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, 2014, liability for claims amounted to $4,122,214.

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, 2013 to June 30, 2014 (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
As of June 30, 2014				
Workers' Compensation	$ 5,256,823	$ 5,446	$ 1,140,055	$ 4,122,214

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 the 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, CA 95605.

Funding Policy

Due to the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-14, the required contribution rate for new members is 8.0 percent. "Classic" plan members are also required to contribute 8.0 percent of their salary. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 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, 2014, 2013, and 2012, were $7,019,085, $7,096,471, and $7,894,296, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the 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. As a result of the Public Employee Pension Reform Act of 2013 (PEPRA), changes have been made to the defined benefit pension plan effective January 1, 2013. 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, California 95811.

Funding Policy

As a result of the implementation of the Public Employee Pension Reform Act of 2013 (PEPRA), new members must pay at least 50 percent of the normal costs of the plan, which can fluctuate from year to year. For 2013-2014, the normal cost is 11.85 percent, which rounds to a 6.0 percent contribution rate. "Classic" plan members continue to contribute 7.0 percent. 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 required employer contribution rate for fiscal year 2013-2014 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for fiscal years ending June 30, 2014, 2013, and 2012, were $1,981,879, $425,461, and $558,375, 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 2014 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 24.820 percent for fiscal year 2014. For the fiscal years ended June 30, 2014, 2013, and 2012, the District contributed $8,411,936, $7,508,696, and $7,821,808, 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, 2014, 2013, and 2012, which amounted to $5,302,096, $5,049,382, and $5,015,738, respectively, (5.541 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, 2014, 2013, and 2012. 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, 2014.

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, 2014.

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
2015	$ 1,091,126
2016	823,801
2017	100,000
Total	$ 2,014,927

Construction Commitments

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for $541,596.

NOTE 15 - RESTATEMENT OF BEGINNING NET ASSETS

The District's prior year beginning net position has been restated as of June 30, 2014.

Effective in fiscal year 2012-2013, the District was required to expense the non- insurance portion of bond issuance costs. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $1,447,135.

Net Position - Beginning	$ 135,365,675
Restatement of deferred issuance costs for implementation of GASB Statement No. 65	(1,447,435)
Net Position - Beginning, as Restated	$ 133,918,240

NOTE 16 - FISCAL RESPONSIBILITY AND SUBSEQUENT EVENTS

Operations

In July 2012, the ACCJC issued a Show Cause sanction to CCSF. In October 2012, CCSF submitted the first of two required reports (the "Special Report") to the ACCJC to demonstrate progress toward resolving the issues raised by the ACCJC contained within four of the Eligibility Requirements and within 14 Recommendations regarding the Standards. An Institutional Self Evaluation Report, along with its enclosed Closure Report, collectively constituted the "Show Cause Report," the second of the two required reports, which the College submitted in March 2013. The ACCJC conducted a Show Cause visit in April 2013 and took action to terminate CCSF's accreditation effective July 2014. CCSF appealed the termination action pursuant to the ACCJC Bylaws and the ACCJC Appeals Manual. On June 13, 2014, the Hearing Panel of the Accrediting Commission of Community and Junior Colleges issued its decision remanding the case back to the Commission for further evaluation. On July 21, 2014, the Commission confirmed that it would uphold its prior decision.

In June 2014, the Accrediting Commission for Community and Junior Colleges announced a proposed new accreditation policy for institutions that have been notified of termination for failure to meet ACCJC standards. Under this new policy, an institution can apply for restoration of its accreditation prior to the effective date of termination. After careful consideration, City College of San Francisco submitted an application for Restoration Status to the Accrediting Commission for Community and Junior Colleges on July 28, 2014. This decision was reached after a thorough review of all possible avenues forward. On July 30, 2014, ACCJC accepted the application.

Fiscal Responsibility

Although the District has $124,901,876 in net position as of June 30, 2014, the unrestricted net position is a deficit for the fifth consecutive year, with a negative balance of ($37,370,109), as of June 30, 2014. The balance of the offsetting positive net position of $162,271,985 is largely centered in capital assets and related capital project activities totaling $149,087,417 as of June 30, 2014. The deficit in unrestricted net position is significantly impacted by the cumulative unfunded Other Post Employment Benefits (OPEB) liability of $66,082,607 as of June 30, 2014, which increased by $10,974,711 for the year ended June 30, 2014.

The District experienced a decrease in net position of $9,016,364 for the year ended June 30, 2014. The loss before capital revenues for the year ended June 30, 2014 was $10,418,306. Depreciation expense included in the above decreases was $38,750,000, for 2014.

The District monitors revenues, expenditures, and related cash position on a weekly or biweekly basis throughout fiscal year 2013/2014. District revenue forecasts are positive as the District is in stability.

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014

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	2014
Anita Grier	Vice President	2014
Natalie Berg	Member	2016
Chris Jackson	Member	2016
Rafael Mandelman	Member	2016
Steve Ngo	Member	2016
Lawrence Wong	Member	2014
William Walker	Student Trustee	2014
Robert Agrella	Special Trustee	Not applicable

ADMINISTRATION

Dr. Arthur Q. Taylor	Chancellor
Mr. Ronald P. Gerhard	Vice Chancellor of Finance and Administration
Mr. John Bilmont	Associate Vice Chancellor / Chief Financial Officer

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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]	$ 27,577,164
Federal Pell Grant Administrative	84.063	[1]	42,520
Federal Work-Study Program	84.033	[1]	804,816
Federal Direct Loan	84.268	[1]	4,628,906
Federal Supplemental Educational Opportunity Grants	84.007	[1]	849,682
Total Student Financial Assistance Cluster			33,903,088
TRIO Student Support Services	84.042	[1]	350,533
Asian Pacific American Leaders	84.031L	[1]	89,151
Passed through San Francisco State University			
Fund for the Improvement of Postsecondary Education	84.116B	P116B100122	11,903
Passed through California Department of Education (CDE)			
Vocational English as a Second Language	84.002A	14508	1,035,948
Adult Secondary Education	84.002A	13978	143,213
Civics Education	84.002A	14109	54,369
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act - Title I, Part C -			
Basic Grants to States	84.048	C01-048	1,158,513
Title IC Career Tech Ed Transitions	84.048	112-360	44,025
TOTAL U.S. DEPARTMENT OF EDUCATION			36,790,743

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2014

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)			
Passed through California Community Colleges Chancellor's Office			
Temporary Assistance for Needy Families	93.558	[2]	$ 578,781
Child Care Development Fund Cluster			
Passed through California Department of Education (CDE)			
Early Childhood Mentoring Program	93.575	CN120046	377,145
Child Care Development Block Grant - Centers Based	93.575	321-13609-7353	23,526
Child Care Development Block Grant - Centers Based	93.575	324-15136-7353	11,221
Child Care Development Block Grant - State Preschool	93.575	321-13609-7353	73,907
Child Care Development Block Grant - State Preschool	93.575	324-15136-7353	35,247
Total Child Care Development Fund Cluster			521,046
Passed through California Department of Health Services			
Medical Administrative Activities	93.778	[2]	233,712
Passed through San Francisco Department of Health and Human Services			
Transitions Clinic Network	93.610	1C1CMS331071-01-00	324,671
Transitions Clinic Network	93.610	TC-003-13	418,521
Passed through Public Health Foundation Enterprises			
Linkages Initiative	93.531	[2]	86,647
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,163,378
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]	14,040
Passed through Employment Training Administration			
Consortium for Bioscience Credentials	17.282	FTCC-CCSF	450,802
Total Workforce Investment Act Cluster			464,842
Passed through the City and County of San Francisco			
SFMOEWD -Tech SF Initiative	17.268	DPBE1300018601	79,994
SFMOEWD- Tech SF WIF	17.283	DPBE1300018601	58,502
TOTAL U.S. DEPARTMENT OF LABOR			603,338

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2014

U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child and Adult Food Program	10.558	04390-CACFP-38-CC-CS	$ 60,837
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	165,687
NATIONAL SCIENCE FOUNDATION			
Education and Human Resource - National Tech Center for Biolink*	47.076	[1]	818,983
Education and Human Resource - University of Massachusetts Projects*	47.076	[1]	78,941
Education and Human Resources - PIPED*	47.076	[1]	88,456
Education and Human Resources - MESA/STEM*	47.076	[1]	12,863
Education and Human Resources - TechSpot 2.0*	47.076	[1]	140,298
Education and Human Resources - Stem Cell Pipeline*	47.076	[1]	147,914
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center*	47.076	[1]	749,990
TOTAL NATIONAL SCIENCE FOUNDATION			2,037,445
U. S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	64.120	[1]	3,756
U. S. DEPARTMENT OF COMMERCE			
FCCC-CA Connets-MESA	11.557	[1]	103
Broadband Technology Opportunities Program-BEMA	11.557	[1]	134,837
Broadband Technology Opportunities Program-CNIT	11.557	[1]	103,567
TOTAL U.S. DEPARTMENT OF COMMERCE			238,507
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 42,063,691

[1] Pass through number not applicable, direct funded
[2] Pass through number not available.

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
GENERAL FUND								
AB 1725 - Staff Development and Diversity Programs	$ 13,476	$ 42,851	$ 56,327	$ 56,327	$ -	$ 38,332	$ 17,995	$ 17,995
AB 86 Adult Ed Consortium	382,950	-	382,950	191,475	-	191,475	-	-
Basic Skills-One Time & On-going	857,152	-	857,152	857,152	-	91,502	765,650	765,650
Board of Financial Aid Program	1,028,213	-	1,028,213	1,028,213	-	3,686	1,024,527	1,024,527
Calworks	406,885	-	406,885	406,885	-	3,927	402,958	402,958
California Nursing Support	164,000	-	164,000	137,760	26,240	-	164,000	164,000
Carreer Technical Education - Collaborative, Hub & Teacher	250,000	635,973	885,973	839,100	46,873	203,810	682,163	682,163
California Institute for Regenerative Medicine	-	270,162	270,162	270,162	-	15,000	255,162	255,162
Cal Grant	1,189,544	-	1,189,544	1,154,360	16,080	-	1,170,440	1,170,440
CIRM-Bridges Stem Cell	444,305	-	444,305	444,305	-	274,619	169,686	169,686
Childcare Taxbailout	77,151	-	77,151	77,151	-	-	77,151	77,151
Center Based Child Development	137,322	30,065	167,387	151,877	-	14,554	137,323	137,323
Childcare Food Program - State Share	130,000	155	130,155	50,182	56,609	-	106,791	106,791
CCCCO FSS MESA	50,500	-	50,500	30,300	19,633	-	49,933	49,933
Disable Students Programs & Services	1,632,465	-	1,632,465	1,632,465	-	215,882	1,416,583	1,416,583
DSPS Recalculation FY08-07	-	18,204	18,204	18,204	-	18,204	-	-
Economic Development (EWD)	784,750	583,308	1,368,058	552,431	328,530	-	880,961	880,961
Extended Opportunity Programs & Services (EOPS & CARE)	1,301,707	8,833	1,310,540	1,310,540	-	29,722	1,280,818	1,280,818
Foster Parenting	79,451	-	79,451	39,368	40,083	-	79,451	79,451
Family Pact Medicaid	2,350,164	-	2,350,164	794,622	944,093	399,334	1,339,381	1,339,381
Instructional Equipment and Replacement Block Grant	433,196	-	433,196	433,196	-	155,376	277,820	277,820
Matriculation Credit & Non-Credit	2,708,812	-	2,708,812	2,708,812	-	672,980	2,035,832	2,035,832

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
SFDPH/MHSA MHCHW	$ 326,709	$ 27,465	$ 354,174	$ 104,254	$ 155,890	$ -	$ 260,144	$ 260,144
SFDPH Medicinal Drumming Pra	-	19,541	19,541	-	-	-	-	-
Scheduled Deferred Maintenance and Repairs AB1290	-	237,235	237,235	-	-	-	-	-
Special Trustee	289,000	-	289,000	289,000	-	26,145	262,855	262,855
State Department of Real Estate	75,000	-	75,000	33,433	41,567	-	75,000	75,000
State Preschool	747,821	275,348	1,023,169	601,360	355,147	-	956,507	956,507
San Francisco First Five-Preschool to all	116,938	-	116,938	101,635	-	-	101,635	101,635
San Francisco Community College District - New Chinatown	-	344,232	344,232	-	-	-	-	-
San Francisco College - Joint Use Facility	-	221,952	221,952	-	-	-	-	-
Transfer and Articulation	-	6,918	6,918	-	-	5,677	1,241	1,241
Total				$ 14,314,569	$ 2,030,745	$ 2,360,225	$ 13,992,007	$ 13,992,007

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, 2014

CATEGORIES	Reported Data *	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2013 only)			
1. Noncredit**	325	-	325
2. Credit	-	-	-
B. Summer Intersession (Summer 2014 - Prior to July 1, 2014)			
1. Noncredit**	5	-	5
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,606	-	11,606
(b) Daily Census Contact Hours	693	-	693
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	8,015	-	8,015
(b) Credit	591	-	591
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	4,854	-	4,854
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	26,090	-	26,090
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	6,480	-	6,480
2. Credit	1,028	-	1,028

‘* Annual report revised as of September 30, 2014.

** 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, 2014

		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	$ 42,347,973	$ 2,560,383	$ 44,908,356	$ 42,966,046	$ 2,560,383	$ 45,526,429
Other	1300	21,383,836	-	21,383,836	21,736,277	-	21,736,277
Total Instructional Salaries		63,731,809	2,560,383	66,292,192	64,702,323	2,560,383	67,262,706
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	7,679,127	1,318,985	8,998,112
Other	1400	-	-	-	2,541,211	-	2,541,211
Total Noninstructional Salaries		-	-	-	10,220,338	1,318,985	11,539,323
Total Academic Salaries		63,731,809	2,560,383	66,292,192	74,922,661	3,879,368	78,802,029
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	30,216,165	(4,749,272)	25,466,893
Other	2300	-	-	-	3,341,077	-	3,341,077
Total Noninstructional Salaries		-	-	-	33,557,242	(4,749,272)	28,807,970
Instructional Aides							
Regular Status	2200	1,519,891	-	1,519,891	2,095,823	-	2,095,823
Other	2400	412,692	-	412,692	438,960	-	438,960
Total Instructional Aides		1,932,583	-	1,932,583	2,534,783	-	2,534,783
Total Classified Salaries		1,932,583	-	1,932,583	36,092,025	(4,749,272)	31,342,753
Employee Benefits	3000	18,000,683	-	18,000,683	40,978,869	1,192,312	42,171,181
Supplies and Material	4000	-	-	-	1,382,728	3	1,382,731
Other Operating Expenses	5000	218,509	-	218,509	14,364,280	2,023	14,366,303
Equipment Replacement	6420	-	-	-	153,755	-	153,755
Total Expenditures Prior to Exclusions		83,883,584	2,560,383	86,443,967	167,894,318	324,434	168,218,752

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, 2014

		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	$ -	$ 4,585,390	$ 4,585,390	$ -	$ 4,585,390	$ 4,585,390
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	2,985,513	2,985,513
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,533,771	-	1,533,771
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	535,107	535,107
Classified Salaries	2000	-	-	-	-	3,000,000	3,000,000
Employee Benefits	3000	-	-	-	-	1,020,740	1,020,740
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, 2014

		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		-	4,585,390	4,585,390	1,533,771	12,126,750	13,660,521
Total for ECS 84362, 50 Percent Law		$ 83,883,584	$ (2,025,007)	$ 81,858,577	$ 166,360,547	$ (11,802,316)	$ 154,558,231
Percent of CEE (Instructional Salary Cost/Total CEE)		50.42%		52.96%	100.00%		100.00%
50% of Current Expense of Education					$ 83,180,274		$ 77,279,116

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, 2014

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 22,822,944
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 22,822,944			$ 22,822,944
Total Expenditures for EPA		$ 22,822,944	-	-	$ 22,822,944
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, 2014

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

	Unrestricted General	Restricted General	Bond Interest and Redemption	Child Development
FUND BALANCE				
Balance, June 30, 2014, (CCFS-311)	$ 21,772,154	$ 6,982,644	$ 3,035,820	$ 4,397
Post closing adjustments	3,838,942	(2,838,006)	26,106	29,567
Balance, June 30, 2014, Audited	$ 25,611,096	$ 4,144,638	$ 3,061,926	$ 33,964

	Other Special Revenue	Capital Outlay Projects	Self Insurance
FUND BALANCE			
Balance, June 30, 2014, (CCFS-311)	$ 1,337,613	$ 2,482,242	$ 8,116,855
Post closing adjustments	(165,142)	237,235	1,134,609
Balance, June 30, 2014, Audited	$ 1,172,471	$ 2,719,477	$ 9,251,464

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 Position - 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, 2014. These unspent balances are reported as legally restricted ending balances within the Statement of Net Position - Primary Government.

Description	CFDA Number	Amount
Total Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position		$ 41,553,953
Veterans Education	64.120	3,756
Medical Administrative Allowance	93.778	233,712
Federal Pell Grant Administrative	84.063	42,520
Asian Pacific American Leaders	84.031L	89,151
Child Development Cluster	84.575-84.596	143,901
		(3,302)
Total Expenditures of Federal Awards		$ 42,063,691

Subrecipients

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

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Amount Provided to Subrecipients
Education and Human Resource - National Tech Center for Biolink	47.076	$ 391,607
Education and Human Resources - Stem Cell Pipeline	47.076	54,126
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center	47.076	60,000
Child Care Development Block Grant - Early Childhood Mentoring Program	93.575	146,771
		$ 652,504

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.

INDEPENDENT AUDITOR'S REPORTS

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the business-type activities of San Francisco Community College District (the District) as of and for the year ended June 30, 2014, 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, 2014.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 15 to the financial statements, the District has elected to change its method of accounting for cost of debt issuance as prescribed by GASB No. 65, *Items Previously Reported as Assets and Liabilities*. 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.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 through 2014-002 to be material weaknesses.

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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2014.

San Francisco Community College District's Responses to the 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, 2014

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 the 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, 2014. The District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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.

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Unmodified Opinion on Major Federal Programs

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 identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2014

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in December 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, 2014.

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 December 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the standards and procedures identified in the California Community Colleges Chancellor's Office *District Audit Manual*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the applicable programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our 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 431 Gann Limit Calculation as noted in Finding 2014-004; Section 421 Salaries of Classroom Instructors (50 Percent Law) as noted in Finding 2014-005; and Section 438 Student Fees – Health Fees and Use of Health Fee Funds as noted in Finding 2014-0056. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

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Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

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, 2014, 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, 2014.

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 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 438	Student Fees – Health Fees and Use of Health Fee Funds
Section 439	Proposition 39 Clean Energy
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 /Contracts for Apportionment Funding or Proposition 1D State Bond Funded Projects; therefore, the compliance tests within this section were not applicable.

The District's responses to the findings identified in our audit are 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, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063	Student Financial Aid Cluster
84.002	Title II
84.042	Trio Student Support Services
14.227	Child Care Development Block Grant
93.558	TANF
17.282	Forsyth Tech - Consortium for Bioscience Credentials
47.076	National Science Foundation

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

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

Name of State Program
431 Gann Limit Calculation
421 Salaries of Classroom Instructors (50% Law)
438 Student Fees - Health Fees and use of Health Fee Funds

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

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*.

2014-001 Finding – Year End Closing
Material Weakness

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 to prepare timely, accurate financial reports.

Condition
The year end closing process was not comprehensive and did not ensure that account balances were reconciled and correct. The Annual Financial and Budget Report (CCFS-311) financial statements were prepared from data that was not complete. The trial balance and CCFS-311 were incomplete and / or contained the following errors:

- As of October 2014, county cash accounts were not reconciled past March 2014.
- Interfund transactions did not balance.
- The schedule of federal and state awards, capital asset analysis, and compensated absence information was not available until December 2014.
- Self insurance workers compensation claims liability amount was overstated by $1.1 million.
- The schedule of state awards included an understatement of receivables of approximately $200,000, unearned revenue of approximately $200,000, and omitted $25,000 payable to grantor.

Questioned Costs
None.

Context
County cash approximates $77 million at June 2014, and state grants account for approximately $12 million of annual expenditures.

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 and delay the reporting process.

Cause
The District's did not operating effectively to ensure that all transactions were recorded timely and accurately

Recommendation
The District should ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information.

Management's Response and Corrective Action Plan
As of December 2014 the District has filled a significant number of previously vacant positions

within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.

2014-002 Finding – Capital Assets
Material Weakness

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 calculate depreciation of capital assets.

Condition
Depreciation expense was estimated based on prior year calculations due to the fact the current year schedules were not available in a timely manner.

Questioned Costs
None.

Context
Depreciable capital assets for buildings and equipment were approximately $650 million. No significant additions were added in 2013/2014. Depreciation in the prior year was calculated as approximately $38.5 million.

Effect
Accumulated depreciation on the Statement Net Position has been estimated by assuming one year of depreciation based on prior year calculations instead of current year calculations.

Cause
The District's did update depreciation schedules in a timely effective manner.

Recommendation
The District should complete capital asset and depreciation schedules during year end close processes to ensure that accurate, timely information is reported to users of the financial information.

Management's Response and Corrective Action Plan
As of December 2014 the District has filled a significant number of previously vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling capital asset accounts, including the calculation of depreciation. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.

2014-003 Finding Preparation of Schedule of Federal Awards
Material Weakness – Internal Control Over Compliance

Criteria or Specific Requirement
OMB Circular A-133, Section 310 (b) requires recipients of federal funds to prepare an accurate schedule of expenditures of federal awards for the period covered by the financial statements being audited. 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.
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
Federal awards accounts receivables appeared to be overstated by approximately $1 million, unearned revenue by approximately $100,000, and a misclassification of unearned revenue that should be reported as receivables due to debit balances of $54,000.

Questioned Costs
None.

Context
The District federal grant expenditures are approximately $40 million per year.

Effect
The District did not accurately report its federal grant activity.

Cause
Lack of training and oversight of federal grant activity.

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.

Management's Response and Corrective Action Plan
The District has begun to review and evaluate all processes and practices within its Business Office, including the development and compilation of its Schedule of Federal Awards. Even at the beginning of this evaluation it was evident that staff and management training was critically necessary. In response, all managers and staff are required to attend weekly training sessions covering targeted areas of responsibility. For example, on December 3, 2014 an outside Certified Public Accountant conducted a training focused on grant accounting, related fiscal year end closing procedures, and the preparation of the District's Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Awards. These trainings will continue through fiscal year 2014-15 covering other focused topics.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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

2014-004 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 students. This results in the 2014-15 Gann limit, adjusted by inflation and population factors, being understated by $814,064. The population factor excluding non-resident students would be .7885 rather than the .7850 used in the calculation reported in the 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 FTES.

Recommendation

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

Management's Response and Corrective Action Plan

The District will conduct in-service training covering preparation of the GANN limit calculation for staff and management responsible for preparing and reviewing the GANN limit calculation. The District revised the 2014 GANN limit computation and noticed it to the Board in December 2014.

2014-005 Finding – 50% Law Calculation
Significant Deficiency – State Compliance

Criteria or Specific Requirement
Education Code 84362 requires that a minimum of 50 percent of the District's Current Expense of Education (CEE) be expended during each year for "Salaries of Classroom Instructors".

Condition
The CCFS-311 form was completed prior to the District finalizing its year end closing numbers. Therefore, the 50% law calculation included in the CCFS-311 was not accurate.

Questioned Costs
None, the District remains in compliance

Context
The original CCFS-311 form reported instructional costs as $83,883,584 and CEE $166,360,547. The revised amounts were $81,858,577 and $154,558,231.

Effect
The 50% law calculation was not accurate, however the District continued to meet the minimum requirements after accounting for the revisions.

Cause
The CCFS-311 form was completed prior to the District finalizing its year end closing numbers.

Recommendation
The District should ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information.

Management's Response and Corrective Action Plan
As of December 2014 the District has filled a significant number of previously vacant positions within the Finance Office. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate time is spent in reviewing and reconciling all accounts during year end close, and before preparation of the CCFS-311 to ensure that accurate, timely information is reported to users of the financial information. Additionally, the District will ensure staff and responsible management are properly trained on fiscal year end closing procedures.

2014-006 Finding – Health Fees
Significant Deficiency – State Compliance

Criteria or Specific Requirement
Education Code Section 76355 also requires boards to adopt rules and regulations that exempt certain students from the payment of health fees. Under subsection (c), districts **must** exempt students who depend on prayer for healing, and students attending community college under an approved apprenticeship program. Districts should also ensure that the existence of the two statutory exemptions is communicated effectively to the students so that they will be aware of potential applicable exemptions.

Condition
The procedures to apply for health fee exemptions are not clearly defined in the course catalog.

Questioned Costs
None

Context
Procedures to apply for health fee exemptions were included online and in course schedules, however they were not also included in the course catalog.

Effect
The District did not comply with the recommendation to publish procedures for health fee exemptions in the course catalog.

Cause
Procedures to apply for health fee exemptions were not clearly stated in the catalog.

Recommendation
We recommend that procedures notifying students of processes to request exclusion from health fees be included in the course catalog.

Management's Response and Corrective Action Plan
The District is in the process of developing and implementing Board Policies and Administrative Procedures for the entire operations of the District. This includes student fees and exemptions. In addition to creating and implementing an administrative procedures that includes providing students with a health fee exemption, the District will revise existing language contained within its course catalog referencing this administrative procedure and health fee exemptions available to students.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

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.

Status
Not implemented, See Finding 2014-001.

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.

Status
Implemented.

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.

Status
Implemented.

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.

Status
Implemented

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.

Status
Not Implemented – See Finding 2014-003.

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.

Status
Implemented.