SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS
JUNE 30, 2015

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Special Trustee
San Francisco Community College District
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of San Francisco Community College District (the District) as of and for the year ended June 30, 2015, 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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68.* Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions as listed in the table of contents 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 January 25, 2016, 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
January 25, 2016

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, 2015. 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, 2015. 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 non-operating, and expenses reported by natural classification for fiscal period July 1, 2014 and through June 30, 2015. 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, 2014 through June 30, 2015.

ANALYSIS OF NET POSITION - FISCAL 2015

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

Table 1

(Amounts in thousands) ASSETS	2015	2014	Increase (Decrease)	Percent Change
Current Assets				
Cash, and short term receivables	$ 72,026	$ 49,199	$ 22,827	46.4%
Prepaid expenses and other assets	1,620	1,864	(244)	-13.1%
Other current assets	1,071	943	128	13.6%
Total Current Assets	74,717	52,006	22,711	43.7%
Non-Current Assets				
Restricted cash and investments	67,895	63,557	4,338	6.8%
Other non-current assets	9,846	10,677	(831)	-7.8%
Capital assets, net of depreciation	390,081	431,266	(41,185)	-9.5%
Total non-current assets	467,822	505,500	(37,678)	-7.5%
Capital Assets (net)				
Total Assets	542,539	557,506	(14,967)	-2.7%
DEFERRED OUTLFOWS OR RESERVES				
Current year pension contribution	16,357	-	16,357	100.0%
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liablities	11,338	9,208	2,130	23.1%
Unearned revenue	9,385	3,142	6,243	198.7%
Long-term liabilities - current portion	23,439	17,648	5,791	32.8%
Total Current Liabilities	44,162	29,998	14,164	47.2%
Non-Current liabilities				
Long-term liabilities	530,867	402,606	128,261	31.9%
Total non-current liabilities	530,867	402,606	128,261	31.9%
Total Liabilities	575,029	432,604	142,425	32.9%
DEFERRED INFLOWS OF RESERVICES				
Difference between projected and actual earnings on pension plan investments	55,238	-	55,238	100.0%
NET POSITION				
Net investment in capital assets	125,549	149,087	(23,538)	-15.8%
Restricted	22,370	13,185	9,185	69.7%
Unrestricted	(219,290)	(37,370)	(181,920)	486.8%
Total Net Position	$ (71,371)	$ 124,902	$ (196,273)	-157.1%

Total Current Asset increased $22.7 million over the prior year. Cash and short-term receivables increased over the prior year by $22.8 million, or 46.4 percent. Individual component changes are as follows: Cash and investments increased over the prior year by $37.5 million while state and local accounts receivables decreased by $14.3 million due to improved cash flow from state apportionment. Prepaid and other assets decreased by $0.1 million. Finally, other assets - current portion consisting of the District's negative banked overload increased by $0.1 million.

Non-current Assets decreased $37.7 million or 7.5 percent over the prior year. The main items comprising the net change are an increase in restricted cash and investments in the amount of $4.3 million or 6.8 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 $42.0 million or 17.3 percent over prior year. These reductions are primarily as a result of the depreciation expense.

Total current liabilities increased by $14.1 million or 47.2 percent. Accounts payable, accrued liabilities, and increased by $2.1 million. Unearned revenue increased by $6.2 million due to changes in federal and state grants. The remaining current portion of long-term liabilities, which are amounts due within the current fiscal year increased $5.8 million or 32.8 percent. Components that comprise the change are: increases in the amortization of bond premiums and other post employment benefits plan, and decreases in compensated absences for classified, faculty and administrative personnel, a decrease in scheduled Bond payments, and a decrease in capital leases.

Non-current liabilities increased $128.2 million, or 31.9 percent. The first year implementation of GASB 68 to record net pension obligations resulted in $142.4 million increase while General Obligation Bonds payable decreased $46.3 million dollars as a result of scheduled coupon payments funded through property taxes and the 2015 Bond Refunding and the unamortized bond premium increased by $31.2 million. OPEB obligations increased by $8.4 million. This increase is almost entirely due to the accrued unfunded portion of the OPEB obligation. Of this amount $15.9 million represents the annual required contribution. The District contributed $7.5 million towards the District's annual required contribution through payment of retiree benefits and $0.5 million of funding to the irrevocable trust.

The District's Unrestricted Net Position decreased by $181.9 million over the prior year, of which $181 million is a result of the implementation of GASB 68 to record pension liabilities for the first time. Unrestricted Net Position went from a deficit $37.4 million at the end of the fiscal year 2014 to $219.3 million at the end of fiscal year 2015.

Total Net Position, which combines Restricted, Invested, and Unrestricted categories, experienced a net decrease of $196.3 million over the prior year.

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) Operating Revenues	2015	2014	Increase (Decrease)	Percent Change
Tuition and fees	$ 19,698	$ 22,801	$ (3,103)	-13.6%
Auxiliary services and other	3,057	3,869	(812)	-21.0%
Total Operating Revenues	22,755	26,670	(3,915)	-14.7%
Operating Expenses				
Salaries and benefits	199,738	195,044	4,694	2.4%
Supplies and maintenance	30,602	31,206	(604)	-1.9%
Student financial aid	30,424	34,285	(3,861)	-11.3%
Depreciation	46,291	38,750	7,541	19.5%
Total Operating Expenses	307,055	299,285	7,770	2.6%
OPERATING LOSS	(284,300)	(272,615)	(11,685)	4.3%
NON-OPERATING REVENUES AND (EXPENSES)				
State apportionments	87,483	91,985	(4,502)	-4.9%
Grants and contracts	52,758	59,016	(6,258)	-10.6%
Local property taxes	57,115	50,629	6,486	12.8%
Taxes levied for debt service	31,843	31,919	(76)	-0.2%
Taxes levied for other specific purposes	14,938	15,031	(93)	-0.6%
Local taxes and other revenues	16,881	16,621	260	1.6%
Other state revenue	5,463	6,744	(1,281)	-19.0%
Investment income (net)	682	500	182	36.4%
Interest expense on capital asset - related debt	(8,410)	(15,220)	6,810	-44.7%
Transfer from fiduciary fund	293	55	238	432.7%
Transfer to fiduciary fund	(7)	(323)	316	-97.8%
Other nonoperating revenues	5,312	5,240	72	1.4%
Total nonoperating revenues	264,351	262,197	2,154	0.8%
Loss before capital revenues	(19,949)	(10,418)	(9,531)	91.5%
CAPITAL REVENUES				
State grant and contracts	4,401	1,197	3,204	267.7%
Local property taxes and revenues	14	205	(191)	-93.2%
Total other revenues	4,415	1,402	3,013	214.9%
Increase (Decrease) in Net Position	(15,534)	(9,016)	(6,518)	72.3%
Net Position, Beginning of Year, Restated	(55,837)	133,918	(189,755)	-141.7%
NET POSITION, END OF YEAR	$ (71,371)	$ 124,902	$ (196,273)	-157.1%

Tuition and fees net of scholarships and allowances decreased $3.1 million or 13.6 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 increased by $7.8 million over the prior year. Salaries and benefits increased $2.2 million or 1.1 percent over the prior year and was primarily the result of including pension based on information provided by the plans instead of on the pay as you go method net of attrition and enrollment management as a result of changes in course offerings.

During Fiscal year 2015, the District earned $87.5 million in State Apportionment. The apportionment includes $27.5 million in Education Protection Act Funds. Sales tax revenue increased by $0.3 million, or 1.5 percent. Tuition decreased by $3.1 million dollars, or 13.6 percent, over the prior year. Non-capital grants and contracts decreased by $8.2 million or 13.9 percent and local property taxes for general purposes increased by $6.5 million or 12.8 percent.

Salaries and fringe benefit expenses increased over the prior year in the amount of $4.7 million or 2.4 percent. The combined salaries and fringe benefit expense increase includes the accrued and unfunded expenditure for the District's Other Postemployment Benefits (OPEB), pension liabilities for STRS and PERS, and the effects of the District negotiated salary and benefits reductions, attrition and specific wage reductions.

Supplies, maintenance, utilities, and other operating expenses and services decreased by $0.6 million or 1.9 percent. Depreciation, a non-cash expenditure, increased $7.5 million or 19.5 percent. Asset retirements and their associated adjustment for depreciation are included in this category.

Total non-operating revenues increased by $0.2 million or 0.1 percent over the prior year. Federal and state grants, including Pell Grants, a direct pass-thru to students, and other grants decreased $6.3 million or 10.6 percent over the prior year. State apportionment, including Education Protection Act funds, decreased by $4.5 million, or 4.9 percent over the prior year. Local property tax revenues increased $6.5 million or 12.8 percent. Taxes levied for debt service and for other specific purposes, parcel tax Measure A, remained stable.

Capital revenues increased $3.0 million or 214.9 percent over the prior year. 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:

2015

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	$ 91,930,946	$ 4,046,571	$ -	$ -	$ 95,977,517
Academic support	22,282,661	993,908	-	-	23,276,569
Student services	23,990,368	1,834,618	-	-	25,824,986
Plant operations and maintenanc	10,574,041	5,889,435	-	-	16,463,476
Instructional support services	7,367,671	463,004	-	-	7,830,675
General Institutional Support services	38,665,645	15,009,933	-	-	53,675,578
Community services and economic development	807,914	874,611	-	-	1,682,525
Auxiliary Services & Auxiliary Operations	4,119,279	1,489,090	-	-	5,608,369
Student aid	-	-	30,423,879	-	30,423,879
Depreciation expense	-	-	-	46,291,231	46,291,231
Total expenses	$ 199,738,525	$ 30,601,170	$ 30,423,879	$ 46,291,231	$ 307,054,805

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District as of June 30, 2015, amounted to a total of $390 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 $61 million or 8 percent. Depreciable capital assets, totaled $665 million or 92 percent. Total accumulated depreciation was $336 million, resulting in net depreciable capital assets of $390 million.

	Balance Beginning of Year	Additions / Adjustments	Deletions	Balance End of Year
Land and construction in progress	$ 57,167	$ 3,502	$ -	$ 60,669
Buildings and improvements	633,201	777	-	633,978
Equipment and vehicles	30,737	922	-	31,659
Subtotal	721,105	5,201	-	726,306
Accumulated depreciation	(289,839)	(46,385)	-	(336,224)
	$ 431,266	$ (41,184)	$ -	$ 390,082

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 $46.3 million for the year. There were no significant outstanding construction commitments as of June 30, 2015.

Obligations

The major changes for the District's long-term obligations are a decrease in general obligations bonds payable of $14.4 million due to annual payments and the 2015 Bond refunding, an increase of the Other Post-Employment Benefits of $8.4 million, 13 percent compared to prior year, and the recording of $142.3 million of aggregate net pension liabilities as a result of implementing GASB 68, offset by the decrease in compensated absences and other obligations.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	$ 338,890	$ 283,215	$ (301,528)	$ 320,577
Other post employment benefits	66,083	15,900	(7,514)	74,469
Aggregate net pension liabilities	-	197,172	(54,794)	142,378
Other liabilities	15,280	-	(3,655)	11,625
Total Long-Term Debt	$ 420,253	$ 496,287	$ (367,491)	$ 549,049
Amount due within one year				$ 18,182

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.

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.

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

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

On June 20, 2006, the District sold $137.0 million of General Obligation Bonds; the remaining authorization of 2001 (Series C) in the amount of $47.0 million and the first part of its 2005 authorization (Series A) in the amount of $90.0 million. Ratings assigned by Moody's Investor Services and Standard & Poor's remaining 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- and 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, 2015 the District has maintained these respective ratings.

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

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 will conduct a site evaluation in November 2016. The visiting team's report summarizing the site visit and the District's institutional self-evaluation will be discussed at the ACCJC's regularly scheduled meeting in January 2017.

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, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 51,268,938
Accounts receivable, net	20,757,603
Prepaid expenses - current portion	1,584,411
Inventories	35,275
Other assets - current portion	1,071,203
Total Current Assets	74,717,430
Noncurrent Assets	
Restricted cash and cash equivalents	67,894,938
Prepaid expenses - noncurrent portion	9,488,889
Other assets	357,068
Nondepreciable capital assets	60,668,973
Depreciable capital assets, net of depreciation	329,412,125
Total Noncurrent Assets	467,821,993
TOTAL ASSETS	542,539,422
DEFERRED OUFLOWS OF RESOURCES	
Current year pension contribution	16,357,063
LIABILITIES	
Current Liabilities	
Accounts payable	11,338,126
Unearned revenue	9,385,275
Claims liability - current portion	5,256,823
Bonds payable - current portion	15,405,000
Lease obligations - current portion	156,534
Other long-term obligations - current portion	2,620,288
Total Current Liabilities	44,162,046
Noncurrent Liabilities	
Compensated absences payable - noncurrent portion	6,248,035
Bank overload	2,147,004
Claims liability - noncurrent portion	2,778,607
Bonds payable - noncurrent portion	262,945,000
Lease obligations - noncurrent portion	295,053
Other postemployment benefits - noncurrent portion	74,468,830
Aggregate net pension obligation	142,377,826
Other long-term obligations - noncurrent portion	39,606,750
Total Noncurrent Liabilities	530,867,105
TOTAL LIABILITIES	575,029,151
DEFERRED INFLOWS OF RESERVES	
Difference between projected and actual earnings on pension plan investments	55,238,045
NET POSITION	
Net investments in capital assets	125,548,708
Restricted for:	
Debt service	3,840,804
Capital projects	13,533,142
Educational programs	4,962,132
Other activities	34,010
Unrestricted	(219,289,507)
TOTAL NET POSITION	$ (71,370,711)

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, 2015

OPERATING REVENUES	
Student Tuition and Fees	$ 30,556,852
Less: Scholarship discount and allowance	(10,858,449)
Net tuition and fees	19,698,403
Auxiliary Enterprise Sales and Charges	
Bookstore	388,498
Cafeteria	587,920
Other revenue	2,080,334
TOTAL OPERATING REVENUES	22,755,155
OPERATING EXPENSES	
Salaries	133,731,657
Employee benefits	66,006,868
Supplies, materials, and other operating expenses and services	30,601,170
Student financial aid	30,423,879
Depreciation	46,291,231
TOTAL OPERATING EXPENSES	307,054,805
OPERATING LOSS	(284,299,650)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	87,483,273
Local property taxes, levied for general purposes	57,114,678
Taxes levied for debt service	31,843,365
Taxes levied for other specific purposes	14,938,396
Local sales tax	16,881,427
Federal grants	34,047,117
State grants	18,710,458
State taxes and other revenues	5,462,923
Investment income	682,492
Interest expense on capital related debt	(8,409,986)
Transfer to fiduciary funds	(7,993)
Transfer from fiduciary funds	292,823
Other nonoperating revenue	5,311,284
TOTAL NONOPERATING REVENUES (EXPENSES)	264,350,257
LOSS BEFORE OTHER REVENUES	(19,949,393)
State revenues, capital	4,401,328
Local revenues, capital	14,132
TOTAL OTHER REVENUES	4,415,460
CHANGE IN NET POSITION	(15,533,933)
NET POSITION, BEGINNING OF YEAR, RESTATED	(55,836,778)
NET POSITION, END OF YEAR	$ (71,370,711)

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 9,961,482
Payments to vendors for supplies and services	(20,570,448)
Payments to or on behalf of employees	(184,412,579)
Payments to students for scholarships and grants	(30,423,879)
Auxiliary enterprise sales and charges:	
Bookstore	388,498
Cafeteria	587,920
Other operating receipts (payments)	2,080,334
Net Cash Flows From Operating Activities	(222,388,672)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	104,972,863
Local property taxes	57,114,678
Taxes levied for other specific purposes	14,938,396
Sales taxes	16,881,427
Federal grants	30,400,357
State grants	20,810,153
State taxes and other revenues	5,462,923
Agency fund receipts	284,830
Other nonoperating	8,534,736
Net Cash Flows From Noncapital Financing Activities	259,400,363
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(1,163,270)
State revenue, capital projects	4,401,328
Local revenue, capital projects	14,132
Property taxes - related to capital debt	31,843,365
Principal paid on capital debt	(19,715,000)
Interest paid on capital debt	(11,250,609)
Net Cash Flows From Capital Financing Activities	4,129,946
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	682,492
Net Cash Flows From Investing Activities	682,492
NET CHANGE IN CASH AND CASH EQUIVALENTS	41,824,129
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,339,747
CASH AND CASH EQUIVALENTS, END OF YEAR	$119,163,876

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	$ (284,299,650)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	46,291,231
Changes in Assets and Liabilities:	
Student receivables	(7,468,444)
Prepaid expenses	508,936
Accounts payable and accrued liabilities	19,570,204
Unearned revenue	3,009,051
Total Adjustments	61,910,978
Net Cash Flows From Operating Activities	$ (222,388,672)

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 51,268,938
Cash in county treasury	67,894,938
Total Cash and Cash Equivalents	$ 119,163,876

NONCASH TRANSACTIONS	
On behalf payments for benefits	$ 5,690,783

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

ASSETS	
Cash and cash equivalents	$ 8,467,094
Accounts receivable, net	167,209
Student loan receivable, net	27,105
Prepaid expenses	554
Capital assets	1,775
Total Assets	8,663,737
LIABILITIES	
Accounts payable	139,944
Unearned revenue	86,384
Total Liabilities	226,328
NET POSITION	
Unreserved	8,437,409
Total Net Position	$ 8,437,409

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, 2015

ADDITIONS	
Federal revenues	$ 7,047
Tuition and fees	136,368
Interest income	14,146
local revenue	1,919,154
Total Additions	2,076,715
DEDUCTIONS	
Academic salaries	1,805
Classified salaries	155,111
Employee benefits	1,039
Books and supplies	335,311
Services and operating expenditures	3,285,153
Student financial aid	1,247,091
Depreciation	147,437
Total Deductions	5,172,947
OTHER FINANCING SOURCES (USES)	
Operating transfers in	292,823
Operating transfers out	(7,993)
Total Other Financing Sources (Uses)	284,830
Change in Net Position	(2,811,402)
Net Position - Beginning	11,248,811
Net Position - Ending	$ 8,437,409

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, No. 38, and No. 39. 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, No. 38, and No. 39. 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, 2015, 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 $1,401,663 for the year ended June 30, 2015.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between projected and actual earnings on pension plan investments specific to the net pension liability.

Pensions

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

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 $22,370,088 of restricted net position.

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 CalSTRS and 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, 2015, was $5,690,783 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 Primary Government and Fiduciary Funds' financial statements, respectively.

Change in Accounting Principles

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 nonemployer 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, nonemployer 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 and 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 nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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 District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $180,736,654. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of State and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

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

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

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

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

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

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of State and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to 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 defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of State and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

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, 2015, consist of the following:

Primary Government cash and cash equivalents	$ 119,163,876
Fiduciary cash and cash equivalents	8,467,094
Total Deposits and Investments	$ 127,630,970

Deposits and investments of the Fiduciary Funds as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 5,900,665
Investments	121,730,305
Total Deposits and Investments	$ 127,630,970

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	$ 121,730,305	536

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, 2015.

Investment Type	Fair Value	Minimum Legal Rating	Rating June 30, 2015
County Pool - San Francisco County	$ 121,730,305	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, 2015, approximately $10.3 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 4 - ACCOUNTS RECEIVABLE

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

The accounts receivable as of June 2015 are as follows:

Federal Government	
Categorical aid	$ 5,889,835
State Government	
Categorical aid	1,015,926
Local Sources	
Student receivables, net	7,733,993
Student loans	2,002,928
Other local sources	4,114,921
Total	$ 20,757,603

Student receivables	$ 9,135,656
Less allowance for bad debt	(1,401,663)
Student receivables, net	$ 7,733,993

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, 2015, the prepaid expenses were as follows:

Prepaid rent	$ 9,644,445
Prepaid other	1,428,855
Total	$ 11,073,300

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Deletions Adjustments	Balance End of Year	Business Type Activities	Fiduciary Activities
Capital Assets Not Being Depreciated						
Land	$ 29,211,619	$ -	$ -	$ 29,211,619	$ 29,211,619	$ -
Construction in progress	27,955,287	2,840,623	661,444	31,457,354	31,457,354	-
Total Capital Assets Not Being Depreciated	57,166,906	2,840,623	661,444	60,668,973	60,668,973	-
Capital Assets Being Depreciated						
Land improvements	148,797,838	235,032	(256,017)	148,776,853	148,447,576	329,277
Buildings and improvements	484,403,644	-	798,069	485,201,713	485,031,146	170,567
Furniture and equipment	29,434,391	928,238	648,176	31,010,805	30,219,882	790,923
Vehicles	1,302,168	-	(654,318)	647,850	647,850	-
Total Capital Assets Being Depreciated	663,938,041	1,163,270	535,910	665,637,221	664,346,454	1,290,767
Total Capital Assets	721,104,947	4,003,893	1,197,354	726,306,194	725,015,427	1,290,767
Less Accumulated Depreciation						
Land improvements	123,093,477	16,957,534	(211,927)	139,839,084	139,509,807	329,277
Buildings and improvements	141,432,465	20,815,991	7,759,260	170,007,716	169,837,897	169,819
Furniture and equipment	24,091,013	1,723,971	13,552	25,828,536	25,038,640	789,896
Vehicles	1,221,716	39,626	(713,357)	547,985	547,985	-
Total Accumulated Depreciation	289,838,671	39,537,122	6,847,528	336,223,321	334,934,329	1,288,992
Net Capital Assets	$ 431,266,276	$ (35,533,229)	$ (5,650,174)	$ 390,082,873	$ 390,081,098	$ 1,775

Depreciation expense for the year was $46,291,231.

Interest expense related to capital debt for the year ended June 30, 2015 was $2,726,946; 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, 2015 consisted of the following:

Accrued payroll	$ 4,539,764
Other	6,798,362
Total	$ 11,338,126

NOTE 8 - UNEARNED REVENUE

Unearned revenue as of June 30, 2015 consisted of the following:

Federal financial assistance	$ 883,679
State categorical aid	5,044,283
Other local	3,457,313
Total	$ 9,385,275

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, 2015, the primary government owed the fiduciary funds $100.

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 2015 fiscal year, the amount transferred to the primary government from the fiduciary fund amounted to $292,823. The amount transferred to the fiduciary funds from the primary government was $7,993.

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	$ 25,450,000	$ -	$ (25,450,000)	$ -	$ -
Series B	64,130,000	-	(64,130,000)	-	-
Series C	37,480,000	-	(35,950,000)	1,530,000	1,530,000
General obligation bonds, Series 2005					
Series A	71,770,000	-	(68,840,000)	2,930,000	2,930,000
Series B	91,960,000	-	(91,960,000)	-	-
Series C	7,100,000	-	(1,315,000)	5,785,000	1,370,000
Series D	30,660,000	-	-	30,660,000	-
General obligation bonds, 2015 Refunding	-	241,290,000	(3,845,000)	237,445,000	9,575,000
Subtotal	328,550,000	241,290,000	(291,490,000)	278,350,000	15,405,000
Unamortized bond premium	10,340,139	41,924,608	(10,037,709)	42,227,038	2,620,288
Total Bonds and Notes Payable	338,890,139	283,214,608	(301,527,709)	320,577,038	18,025,288
Other Liabilities					
Compensated absences	7,421,055	-	(1,173,020)	6,248,035	-
Load banking	3,023,055	-	(876,051)	2,147,004	-
Capital leases	614,253	-	(162,666)	451,587	156,534
Settlement Agreement	100,000	-	(100,000)	-	-
Claims liability	4,122,214	-	(1,343,607)	2,778,607	-
Net OPEB obligation	66,082,607	15,900,008	(7,513,785)	74,468,830	-
Aggregate net pension liabilities	-	197,172,016	(54,794,190)	142,377,826	-
Total Other Liabilities	81,363,184	213,072,024	(65,963,319)	228,471,889	156,534
Total Long-Term Obligations	$ 420,253,323	$ 496,286,632	$ (367,491,028)	$ 549,048,927	$ 18,181,822

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, load banking, and pension liabilities 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 bonds were partially refunded in 2015. The remaining outstanding principal balances of the Series A, B, and C Bonds at June 30, 2015, were $0, $0, and $1,530,000, 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 bonds were partially refunded in 2015. The remaining outstanding principal balances of the Series A, B, C, and D bonds at June 30, 2015, were $2,930,000, $0, $5,785,000, and $30,660,000, respectively.

2015 Refunding Bonds

On April 9, 2015, the District refinanced $241,290,000 of general obligation bonds from the 2001 series A, B, & C and 2005 series A & B. The total net proceeds from the Refunding Bonds issuance (net of premium and bond issuance costs) on June 20, 2006, was used to partially refund previous bonds. These bonds have a final maturity date of June 15, 2031, and interest rates of 2.0 percent to 5.0 percent. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2015. The net present value of the refunding savings was $4,797,229.

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Redeemed	Bonds Outstanding June 30, 2015
2002	06/15/26	2.5%-5.375%	$ 38,000,000	$ 25,450,000	$ -	$ (25,450,000)	$ -
2004	06/15/24	3.0%-5.5%	110,000,000	64,130,000	-	(64,130,000)	-
2006	06/15/31	4.0%-5.0%	47,000,000	37,480,000	-	(35,950,000)	1,530,000
2006	06/15/31	4.0%-5.0%	90,000,000	71,770,000	-	(68,840,000)	2,930,000
2007	06/15/31	4.0%-5.0%	110,000,000	91,960,000	-	(91,960,000)	-
2010	06/15/19	.40%-4.0%	15,640,000	7,100,000	-	(1,315,000)	5,785,000
2010	06/15/30	4.0%-5.0%	30,660,000	30,660,000	-	-	30,660,000
2015	06/15/31	2.0%-5.0%	241,290,000	-	241,290,000	(3,845,000)	237,445,000
				$ 328,550,000	$ 241,290,000	$ (291,490,000)	$ 278,350,000

2001 Series C bonds mature through 2016 as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 1,530,000	$ 1,737,838	$ 3,267,838

2005 Series A bonds mature through 2016 as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 2,930,000	$ 3,328,528	$ 6,258,528

2005 Series C bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest	Total
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	$ 5,785,000	$ 489,951	$ 6,274,951

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

2015 refunding bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 9,575,000	$ 11,237,200	$ 20,812,200
2017	14,000,000	10,949,950	24,949,950
2018	14,380,000	10,542,450	24,922,450
2019	15,020,000	9,841,200	24,861,200
2020	15,735,000	9,101,100	24,836,100
2021-2025	86,245,000	32,847,850	119,092,850
2026-2030	67,585,000	13,374,250	80,959,250
2031	14,905,000	640,250	15,545,250
Total	$ 237,445,000	$ 98,534,250	$ 335,979,250

Capital Leases

The District leases equipment under capital lease agreements, secured by capital assets with net book value \$457,581. 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
2016	$ -
2017	156,534
2018	148,845
2019	146,208
Total	451,587
Less: Amount Representing Interest	(43,216)
Present Value of Minimum Lease Payments	$ 408,371

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2015, was \$6,489,754, and contributions made by the District during the year were \$7,013,785 and a contribution to the irrevocable trust of \$500,000. Adjustments to the annual required contribution were \$9,410,254, which resulted in an increase to the net OPEB obligation of \$8,386,223. As of June 30, 2015, the net OPEB obligation was \$74,468,830. See Note 11 for additional information regarding the OPEB asset/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 1,041 retirees and beneficiaries currently receiving benefits, and 1,369 active Plan members.

Contribution Information

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 2014-2015, the District contributed $7,513,785 to the Plan, $7,013,785 of which was used for current premiums and $500,000 to the irrevocable trust.

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	$ 6,489,754
Adjustment to annual required contribution	9,410,254
Annual OPEB cost (expense)	15,900,008
Contributions made	(7,513,785)
Increase in net OPEB obligation	8,386,223
Net OPEB obligation, July 1, 2014	66,082,607
Net OPEB obligation, June 30, 2015	$ 74,468,830

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
2013	$ 16,897,298	$ 7,243,730	43%	$ 55,107,896
2014	$ 18,655,949	$ 7,681,238	41%	$ 66,082,607
2015	$ 15,900,008	$ 7,513,785	47%	$ 74,468,830

Funding Status and Funding Progress

	$ 175,975,011
Actuarial Value of Plan Assets	500,000
Unfunded Actuarial Accrued Liability (UAAL)	$ 176,475,011
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.3%
Covered Payroll	94,097,087
UAAL as Percentage of Covered Payroll	187.55%

The above noted actuarial accrued liability was based on the July 1, 2014, 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, 2014, actuarial valuation, the entry age normal 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, 2015, liability for claims amounted to $8,035,340, of which $5,256,823 is recorded in the self insurance fund and the remaining $2,778,607 is reported as a long term liability.

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, 2014 to June 30, 2015 (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
As of June 30, 2015				
Workers' Compensation	$ 4,122,214	$ -	$ 1,343,607	$ 2,778,607

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of CalSTRS and classified employees are members of CalPERS.

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense, and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 109,162,777	$ 6,520,795	$ 26,881,126	$ 9,424,272
SFERS	31,021,562	9,603,924	27,603,213	1,836,148
CalPERS	2,193,486	232,343	753,707	194,956
Total	$ 142,377,826	$ 16,357,063	$ 55,238,045	$ 11,455,377

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers' Retirement Plan (STRP) administered by CalSTRS. STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District, and State of California contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the District's total contributions were $6,520,795.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 109,162,777
State's proportionate share of the net pension liability associated with the District	65,917,198
Total	$ 175,079,975

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 1.8680 percent.

For the year ended June 30, 2015, the District recognized pension expense of $9,424,272 and revenue of $5,690,783 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 6,520,795	$ -
Difference between projected and actual earnings on pension plan investments	-	26,881,126
Total	$ 6,520,795	$ 26,881,126

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 6,720,282
2017	6,720,282
2018	6,720,281
2019	6,720,281
Total	$ 26,881,126

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary investment practice, a best estimate range was determined assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate		Net Pension Liability
1% decrease (6.60%)	$	170,156,220
Current discount rate (7.60%)	$	109,162,777
1% increase (8.60%)	$	58,305,331

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

Plan Description

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

Benefits Provided

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

The SFERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	City Employer Pool (Miscellaneous Non-Safety Membership)		
Hire date	On or after November 2, 1976 and before July 1, 2010	On or after July 1, 2010 and before July 7, 2012	On or after January 7, 2012
Benefit formula	2.3% at 62	2.3% at 62	2.3% at 65
Benefit vesting schedule	Age 50 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service	Age 50 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service	Age 53 with 20 Years of Credited Service or Age 60 with 10 Years of Credited Service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	65	65	65
Maximum annual benefits	75%	75%	75%
Monthly benefits as a percentage of eligible compensation	1.0% - 2.30%	1.0% - 2.30%	1.0% - 2.30%
Required employee contribution rate	7.540%	7.540%	7.540%
Required employer contribution rate	2.676%	2.676%	2.676%

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

Contributions

Contributions are made to the plan by both the employers and the participating employees. The basic employer contributions are the amounts deemed necessary, on an actuarial basis using the entry age normal cost method, to provide the plan with assets sufficient to pay the basic benefits that are not provided for by employees’ contributions. Employee and employer contributions are mandatory, as required by the City Charter. The District's contributions to SFERS, for the year ended June 30, 2015 were $9,603,924 or 23.9% of covered payroll.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the collective SFERS net pension liability totaling $31,021,262. The net pension liability of the plan is measured as of June 30, 2014, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 1.75 percent or $31.0 million.

For the year ended June 30, 2015, the District recognized pension expense of $1,836,148, including amortization of deferred outflows/inflow related pension items. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,603,924	$ -
Difference between projected and actual earnings on pension plan investments		27,603,213
Total	$ 9,603,924	$ 27,603,213

The deferred outflow of resources resulting from District contributions subsequent to the measurement date will be recognized as a component of pension expense in the year ended June 30, 2016. The remaining deferred inflows/outflows of resources will be recognized as a component of pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 6,900,803
2017	6,900,803
2018	6,900,803
2019	6,900,803
Total	$ 27,603,212

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, which was rolled forward to June 30, 2014 using generally accepted actuarial procedures. The following is a summary of the actuarial methods and assumptions used in the actuarial valuation:

Valuation date	June 30, 2013 updated to June 30, 2014
Measurement date	June 30, 2014
Actuarial cost method	Entry-age normal cost
Inflation	3.33%
Salary increases	3.83% plus merit component
Investment rate of return	7.58%, net of investment expense and inflation
Municipal bond yield	4.39%
Discount rate	7.58%
Administrative expense	0.45% of payroll
Basic COLA	2.00%

Mortality rates for active members were based upon the RP-2000 Employee Tables for Males and Females projected using Scale AA to 2030 for females and to 2005 for males. Mortality rates for healthy annuitants were based upon the RP-2000 Healthy Annuitant Tables for Males and Females projected using Scale AA to 2020.

The actuarial assumptions used in the June 30, 2014 valuation were based upon the results of a demographic experience study for the period July 1, 2004 through June 30, 2009 and an economic experience study as of July 1, 2013.

The probability of a Supplemental COLA as of June 30, 2014 was developed based upon the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLA for members with a 2.00% basic COLA for sample years.

Fiscal Year	Assumption
2015	0.000%
2020	0.364%
2025	0.375%
2030	0.375%
Thereafter	0.375%

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2014 was 7.58%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation data plus an amortization payment on the unfunded actuarial liability.

The plan's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year-end 2083, when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.58% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 4.31% to the extent they are not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2014 is 7.58%

The long-term expected rate of return on pension plan investments was 7.58%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.30%
Global fixed income	25%	1.80%
Private equity	16%	8.80%
Real estate	12%	5.80%

The following presents the District's allocation of the its proportionate share of the net pension liability, calculated using the 7.58% discount rate, as well as what the District's allocation would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.58%)	$ 76,842,000
Current discount rate (7.58%)	$ 31,021,562
1% increase (8.58%)	$ 7,455,000

California Public Employees' Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) and the Safety Risk Pool under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2013. These reports and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or age 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above, and the total District contributions were $232,343.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $2,193,486. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0193 percent.

For the year ended June 30, 2015, the District recognized pension expense of $194,956. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 232,343	$ -
Difference between projected and actual earnings on pension plan investments		753,707
Total	$ 232,343	$ 753,707

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 188,427
2017	188,427
2018	188,427
2019	188,426
Total	$ 753,707

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 3,847,876
Current discount rate (7.50%)	$ 2,193,486
1% increase (8.50%)	$ 811,077

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, 2015, 2014, and 2013, which amounted to $5,690,783, $5,302,096, and $5,049,382, respectively, (5.649 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, 2015, 2014, and 2013. 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 of Distance Education FTES funded by the State Chancellors Office. 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, 2015.

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, 2015.

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
2017	$ 823,801
2018	100,000
Total	$ 923,801

Construction Commitments

As of June 30, 2015, the District was committed under various capital expenditure purchase agreements for $1,049,278.

NOTE 15 - RESTATEMENT OF BEGINNING NET ASSETS

The District's prior year beginning net position has been restated as of June 30, 2015.

Effective in fiscal year 2014-2015, the District was required to recognize net pension liabilities and related deferred outflows and inflows as specified by GASB 68 and 71. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the District by $180,738,654.

Net Position - Beginning	$ 124,901,876
Restatement of long-term obligations for implementation of GASB Statement No. 68 and 71	(180,738,654)
Net Position - Beginning, as Restated	$ (55,836,778)

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

The District net position at June 30, 2015 was $(71,370,711), the unrestricted net position is a deficit for the sixth consecutive year, with a negative balance of ($219,289,507). The balance of the offsetting positive net position of $147,918,796 is largely centered in capital assets and related capital project activities totaling $125,548,708 as of June 30, 2015. The deficit in unrestricted net position is significantly impacted by the cumulative unfunded Aggregate Net Pension liabilities and related deferred inflows and outflows and Other Post Employment Benefits (OPEB) liability of $255,727,638, which increased by $8,386,223 for the year ended June 30, 2015.

The District experienced a decrease in net position of $181,919,398 for the year ended June 30, 2015, including $181,258,808 from the implementation of the recording of unfunded Aggregate Net Pension liabilities and related deferred inflows and outflows. The loss before capital revenues for the year ended June 30, 2015 was $15,533,933. Depreciation expense included in the above decreases was $46,291,231, for 2015.

The District monitors revenues, expenditures, and related cash position on a weekly or biweekly basis throughout fiscal year 2014/2015. 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, 2015

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	0.0%	$ 119,914,051	131%
July 1, 2011	-	189,190,224	189,190,224	0.0%	118,787,767	159%
July 1, 2014	500,000	175,975,011	175,475,011	0.3%	94,097,087	186%

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

District's proportion of the net pension liability	1.8680%
District's proportionate share of the net pension liability	$ 109,162,777
State's proportionate share of the net pension liability associated with the District	65,917,198
Total	$ 175,079,975
District's covered - employee payroll	$ 85,079,413
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	128.31%
Plan fiduciary net position as a percentage of the total pension liability	76.5%

SFERS

District's proportion of the net pension liability	1.7522%
District's proportionate share of the net pension liability	$ 31,021,562
District's covered - employee payroll	40,264,153
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	77.0%
Plan fiduciary net position as a percentage of the total pension liability	91.8%

CalPERS

District's proportion of the net pension liability	0.0193%
District's proportionate share of the net pension liability	$ 2,193,486
District's covered - employee payroll	1,981,879
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	111%
Plan fiduciary net position as a percentage of the total pension liability	83%

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

CalSTRS

Contractually required contribution	$ 6,520,795
Contributions in relation to the contractually required contribution	6,520,795
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 73,432,379
Contributions as a percentage of covered - employee payroll	8.88%

SFERS

Contractually required contribution	$ 9,603,924
Contributions in relation to the contractually required contribution	9,603,924
Contribution deficiency (excess)	$ -
District's covered - employee payroll	40,264,153
Contributions as a percentage of covered - employee payroll	23.9%

CalPERS

Contractually required contribution	$ 232,343
Contributions in relation to the contractually required contribution	232,343
Contribution deficiency (excess)	$ -
District's covered - employee payroll	1,973,862
Contributions as a percentage of covered - employee payroll	11.8%

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

SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION
JUNE 30, 2015

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
Rafael Mandelman	President	2016
Thea Selby	Vice President	2018
Amy Bacharach	Member	2016
Brigitte Davila	Member	2018
Steve Ngo	Member	2016
Alex Randolph	Member	2016
John Rizzo	Member	2018
Bouchra Simmons	Student Trustee	2016
Guy Lease	Special Trustee	Not applicable

ADMINISTRATION

Ms. Susan Lamb	Interim Chancellor
Mr. Ronald P. Gerhard	Vice Chancellor of Finance and Administration
Mr. David Martin	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, 2015

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]	$ 22,198,761
Federal Pell Grant Administrative	84.063	[1]	36,625
Federal Work-Study Program	84.033	[1]	921,719
Federal Direct Loan	84.268	[1]	3,157,264
Federal Supplemental Educational Opportunity Grants	84.007	[1]	447,001
Total Student Financial Assistance Cluster			26,761,370
TRIO Student Support Services	84.042A	P042A101020-14	453,996
Asian Pacific American Leaders	84.031L	P031L100012-14	127,504
Passed through San Francisco State University			
Fund for the Improvement of Postsecondary Education	84.116B	S14-0002	50,369
Passed through California Department of Education (CDE)			
Vocational English as a Second Language	84.002A	14508	1,141,734
Adult Secondary Education	84.002A	13978	193,792
Civics Education	84.002A	14109	90,600
Passed through California Community Colleges Chancellor's Office			
Career and Technical Education Act - Title I, Part C -			
Basic Grants to States	84.048	14-C01-048	1,198,099
Title IC Career Tech Ed Transitions	84.048	14-C01-048	45,326
Passed through The Foundation of City College of San Francisco			
Endowment Challenge Grant Program	84.031	P031G80225	5,548
TOTAL U.S. DEPARTMENT OF EDUCATION			30,068,338
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]	$ 92,728
Child Care Development Fund Cluster			
Passed through California Department of Education (CDE)			
Child Care Development Block Grant - Centers Based	93.575	321-13609-7353	50,399
Child Care Development Block Grant - State Preschool	93.575	321-13609-7353	127,167
Total Child Care Development Fund Cluster			177,566
Passed through California Department of Health Services			
Medical Administrative Activities	93.778	[2]	298
Passed through San Francisco Department of Health and Human Services			
Transitions Clinic Network	93.610	TC-003-13	451,119
Passed through Public Health Foundation Enterprises			
Linkages Initiative	93.531	[2]	36,663
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			758,374

See accompanying note to supplementary information.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2015

U.S. DEPARTMENT OF LABOR			
Workforce Investment Act			
Workforce Investment Act Cluster			
Passed through Arriba Juntos Corporation			
WIA Adult Training Program	17.258	[2]	175,000
Passed through Self Help for the Elderly			
WIA Dislocated Worker Employment Training Administration	17.278	[2]	23,388
Passed through Employment Training Administration			
Consortium for Bioscience Credentials	17.282	[2]	352,560
Total Workforce Investment Act Cluster			550,948
Passed through the City and County of San Francisco			
SFMOEWD -Tech SF Initiative	17.268	DPBE1300018601	132,308
SFMOEWD- Tech SF WIF	17.283	121213-B1-D	83,036
TOTAL U.S. DEPARTMENT OF LABOR			766,292
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	23,792
NATIONAL SCIENCE FOUNDATION			
Education and Human Resource - National Tech Center for Biolink*	47.076	DUE1400721	981,488
Education and Human Resource - University of Massachusetts Projects*	47.076	DUE1003852	69,265
Education and Human Resources - PIPED*	47.076	DUE1103826	186,909
Education and Human Resources - MESA/STEM*	47.076	DUE1154588	119,109
Education and Human Resources - TechSpot 2.0*	47.076	DUE1205032	72,779
Education and Human Resources - Stem Cell Pipeline*	47.076	DUE1003852	212,545
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center*	47.076	DUE1205159	787,907
TOTAL NATIONAL SCIENCE FOUNDATION			2,430,002
U. S. DEPARTMENT OF VETERANS AFFAIRS			
Veterans Education	64.120	[1]	7,047
U. S. DEPARTMENT OF COMMERCE			
Broadband Technology Opportunities Program-BEMA	11.557	[1]	318
TOTAL U.S. DEPARTMENT OF COMMERCE			318
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 34,054,163

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

	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	$ 12,863	$ 38,332	$ 51,195	$ 56,893	$ -	$ 22,639	$ 34,254	$ 18,709
AB 86 Adult Ed Consortium	382,950	191,475	574,425	344,655	-	99,139	245,516	245,516
Basic Skills-One Time & On-going	674,187	91,502	765,689	765,689	-	-	765,689	3,375
Board of Financial Aid Program	1,020,338	3,686	1,024,024	1,024,024	-	-	1,024,024	1,024,024
Calworks	389,709	3,927	393,636	393,636	-	7,945	385,691	385,691
California Nursing Support	152,387	-	152,387	152,387	-	125	152,262	152,262
Carreer Technical Education - Collaborative, Hub & Teacher	463,511	203,810	667,321	310,407	57,720	31,202	336,925	336,925
California Institute for Regenerative Medicine	444,305	117,219	561,524	390,886	45,125	-	436,011	436,011
Cal Grant	1,123,076	-	1,123,076	1,112,143	10,933	-	1,123,076	1,123,076
Cooperative Agencies resources for Education (CARE)	58,549	-	58,549	58,549	-	-	58,549	58,549
Childcare Taxbailout	77,151	-	77,151	77,151	-	-	77,151	77,151
Center Based Child Development	153,929	14,554	168,483	91,662	45,151	-	136,813	136,813
Childcare Food Program - State Share	148,536	-	148,536	38,270	47,552	-	85,822	85,822
CCCCO FSS MESA	50,500	-	50,500	49,302	1,198	-	50,500	50,500
Disable Students Programs & Services (DSPS)	2,432,543	12,932	2,445,475	2,445,475	-	-	2,445,475	2,445,475
Economic Development (EWD)	1,010,000	487,097	1,497,097	426,602	177,627	107,591	496,638	496,638
Extended Opportunity Programs & Services (EOPS)	1,243,158	29,722	1,272,880	1,243,158	-	-	1,243,158	1,243,158
Foster Parenting	79,451	-	79,451	59,736	17,329	-	77,065	77,065
Family Pact Medicaid	72,979	399,334	472,313	72,979	-	-	72,979	72,979
Instructional Equipment and Replacement Block Grant	-	155,376	155,376	155,376	-	129,882	25,494	25,494
Prop 39 - Clean Energy Job Creation Act	735,451	-	735,451	735,451	-	-	735,451	24,455

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

	Program Entitlements			Program Revenues				
Program	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
SFDPH/MHSA MHCHW	$ 339,947	$ 6,771	$ 346,718	$ -	$ 344,776	$ -	$ 344,776	$ 344,776
SFDPH Medicinal Drumming Pra	-	19,541	19,541	-	-	-	-	-
Scheduled Deferred Maintenance and Repairs AB1290	3,445,063	433,203	3,878,266	3,878,266	-	433,203	3,445,063	333,753
Special Trustee	289,000	26,145	315,145	315,145	-	32,050	283,095	283,095
State Department of Real Estate	75,000	-	75,000	55,209	19,442	-	74,651	74,651
State Preschool	808,348	-	808,348	557,378	249,073	-	806,451	791,522
Student Equity	1,852,105	-	1,852,105	1,852,105	-	1,726,830	125,275	125,275
Student Success and Support Program (SSSP)	4,185,622	672,980	4,858,602	4,856,288	-	2,448,916	2,407,372	2,407,372
San Francisco First Five-Preschool to all	164,669	-	164,669	142,985	-	-	142,985	142,985
San Francisco Community College District - New Chinatown	-	344,232	344,232	-	-	-	-	-
San Francisco College - Joint Use Facility	-	221,952	221,952	-	-	-	-	-
Transfer and Articulation	-	5,677	5,677	5,677	-	4,761	6,593	916
Total				$ 21,667,484	$ 1,015,926	$ 5,044,283	$ 17,644,804	$ 13,024,033

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, 2015

CATEGORIES	Reported Data *	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2014 only)			
1. Noncredit**	454.90	-	454.90
2. Credit	1,418.40	-	1,418.40
B. Summer Intersession (Summer 2015 - Prior to July 1, 2015)			
1. Noncredit**	-	-	-
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	11,232.42	-	11,232.42
(b) Daily Census Contact Hours	383.18	-	383.18
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	7,103.04	-	7,103.04
(b) Credit	500.40	-	500.40
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	2,455.35	(2.53)	2,452.82
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	23,547.69	(2.53)	23,545.16
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)			
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	5,809.21	-	5,809.21
2. Credit	923.23	-	923.23

* Annual report as of July September 15, 2015.

** 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, 2015

		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	$ 39,081,910	$ -	$ 39,081,910	$ 39,440,654	$ -	$ 39,440,654
Other	1300	25,116,963	-	25,116,963	25,483,814	-	25,483,814
Total Instructional Salaries		64,198,873	-	64,198,873	64,924,468	-	64,924,468
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,073,494	-	12,073,494
Other	1400	-	-	-	2,675,806	-	2,675,806
Total Noninstructional Salaries		-	-	-	14,749,300	-	14,749,300
Total Academic Salaries		64,198,873	-	64,198,873	79,673,768	-	79,673,768
Classified Salaries							
Noninstructional Salaries							
Regular Status	2100	-	-	-	22,019,177	-	22,019,177
Other	2300	-	-	-	3,568,804	-	3,568,804
Total Noninstructional Salaries		-	-	-	25,587,981	-	25,587,981
Instructional Aides							
Regular Status	2200	1,464,592	(141,854)	1,322,738	2,406,814	-	2,406,814
Other	2400	364,038	-	364,038	395,836	-	395,836
Total Instructional Aides		1,828,630	(141,854)	1,686,776	2,802,750	-	2,802,750
Total Classified Salaries		1,828,630	(141,854)	1,686,776	28,390,731	-	28,390,731
Employee Benefits	3000	18,464,121	(28,371)	18,435,750	42,485,145	-	42,485,145
Supplies and Material	4000	-	-	-	1,524,912	-	1,524,912
Other Operating Expenses	5000	297,356	-	297,356	17,511,645	-	17,511,645
Equipment Replacement	6420	-	-	-	23,356	-	23,356
Total Expenditures Prior to Exclusions		84,788,980	(170,225)	84,618,755	169,609,557	-	169,609,557

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, 2015

		ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
	Object/TOP Codes	Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
Exclusions							
Activities to Exclude							
Instructional Staff - Retirees' Benefits and Retirement Incentives	5900	$ -	$ -	$ -	$ -	$ -	$ -
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,227,885	-	1,227,885
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	-	-	-
Classified Salaries	2000	-	-	-	-	-	-
Employee Benefits	3000	-	-	-	-	-	-
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, 2015

		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		-	-	-	1,227,885	-	1,227,885
Total for ECS 84362, 50 Percent Law		$ 84,788,980	$ (170,225)	$ 84,618,755	$ 168,381,672	$ -	$ 168,381,672
Percent of CEE (Instructional Salary Cost/Total CEE)		50.36%		50.25%	100.00%		100.00%
50% of Current Expense of Education					$ 84,190,836		$ 84,190,836

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

PROPOSITION 30 EDUCATION PROTECTION ACT (EPA) EXPENDITURE REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Activity Classification	**Object Code**				**Unrestricted**
EPA Proceeds:	8630				$ 27,451,228
Activity Classification	**Activity Code**	**Salaries and Benefits (Obj 1000-3000)**	**Operating Expenses (Obj 4000-5000)**	**Capital Outlay (Obj 6000)**	**Total**
Instructional Activities	1000-5900	$ 27,451,228			$ 27,451,228
Total Expenditures for EPA		$ 27,451,228	-	-	$ 27,451,228
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, 2015

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

	Self Insurance
FUND BALANCE	
Balance, June 30, 2015, (CCFS-311)	$ 9,143,974
Due from general fund	825,116
Balance, June 30, 2015, Audited	$ 9,969,090

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. There were no reconciling items in the current year.

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	$ 258,274
Education and Human Resources - Stem Cell Pipeline	47.076	94,059
Education and Human Resource - Mid-Pacific Information and Communications Technology Regional Center	47.076	92,097
		$ 444,430

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 & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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 and Special Trustee
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, and the aggregate remaining fund information of San Francisco Community College District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 15 to the financial statements, in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68.* Our opinion is not modified with respect to these matters.

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 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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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 2015-001 through 2015-003 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 and 2015-005 to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003 through 2015-005.

We noted certain matters that we reported to management of the District in a separate letter dated January 25, 2016.

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
January 25, 2016

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

Board of Trustees and Special Trustee
San Francisco Community College District
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2015. 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.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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 of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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 2015-003 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003 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
January 25, 2016

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees and Special Trustee
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 August 2014 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2015.

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 August 2014.

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 421 Salaries of Classroom Instructors, Section 424 State General Apportionment System, and Section 431 Gann Limit Calculation. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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, 2015.

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, 2015, 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 January 25, 2016.

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 440	Intersession Extension Programs
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, Intersession Extension Programs; To Be Arranged Hours, or Proposition 1D State Bond Funded Projects therefore, the compliance tests within these sections 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
January 25, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	Yes

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 progra	

CFDA Number(s)	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster

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
421 Salaries of Classroom Instructors (50% Law)
424 State General Apportionment System
431 Gann Limit Calculation

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*.

2015-001 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:

- Accounts receivables and deferred revenues related to federal and state grants appear to be overstated by approximately $700,000. In addition, two grants that were partially federally funded were listed as state funded on the schedules of grant assistance.
- Other accounts receivables appear to be understated by $200,000.
- Student receivables appear to be overstated by approximately $1.5 million as the allowance for uncollectible student accounts was not updated at year end.
- Cash and revenues appear to be understated by $3 million for a grant receipt that was not recorded until after the year end.
- Interfund transactions did not balance between funds. A due from was recorded in the General Unrestricted Fund for $825,116, however, the corresponding due to from the self insurance fund was not recorded.
- The inventory amount of $35,275 has not changed from the prior year.
- The schedule of federal and state awards, capital asset analysis, and compensated absence information was not available until December 2015, which was after the completion of the unaudited trial balance and the Form 311.

Questioned Costs
None.

Context
Various financial statement elements were not accurately stated. Student receivables from past terms totaled approximately $4.6 million at June 30, 2015, an allowance on this amount was recorded for $1 million. However, using the District methodology for assessing uncollectible amounts, the allowance should have been $2.5 million. Cash and cash equivalents totaled $121 million at the year end and was understated by $3 million. Federal and state grants account for approximately $50 million of annual revenues and expenditures, while capital assets total approximately $400 million.

Effect
Reconciliations and adjustments to year end balances that either are not recorded or are posted after the preparation of fiscal year end reports decrease the relevance and usefulness of the reports.

Cause
The District's closing process did not operate 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 2015 the District is in the process filling a significant number of 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.

2015-002 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 track and record the original cost of capital assets and to calculate depreciation on certain of those capital assets.

Condition
Capital asset schedules include cost information and accumulated depreciation information from 2001 and prior that is potentially inaccurate and appears unusual as it subtracts, instead of adds transactions, from the prior years. The net negative amount including buildings, leasehold improvements and related accumulated depreciation, the unexplained negative amounts net to approximately $5.5 million. We also noted that no disposals of equipment or vehicles were removed from the records during the 2014-15 fiscal year.

Questioned Costs
None.

Context
The original cost of capital assets recorded was approximately $700 million.

Effect
Detail capital asset schedules appear potentially inaccurate.

Cause
Detailed historical records of information prior to 2001 have not been maintained.

Recommendation
The District should review and update the historical capital asset and depreciation schedules to ensure that accurate, timely information is reported to users of the financial information. That process may need to be completed through use of a survey of buildings and equipment, and an assessment of the associated estimated historical cost, such as would have been completed approximately 15 years ago when implementing GASB 34/35.

Management's Response and Corrective Action Plan
As of December 2015 the District is in the process of filling a significant number of 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.

2015-003 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
Accounts receivables and deferred revenues related to federal and state grants appears to be overstated by approximately $700,000. In addition, two grants that were partially federally funded were listed as state funded on the schedules of grant assistance.

Questioned Costs
None.

Context
The District federal grant expenditures are approximately $50 million per year.

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

Cause
Lack of training and oversight of federal and state grant activity.

Recommendation
The District should develop and implement procedures to ensure that the Schedule of Federal Awards and the Schedule of State Awards are properly and accurately completed.

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 and State Awards. The District is in the process of providing training to grant accountants in order to ensure the business office staff is properly trained in the accounting and closure of grants during the fiscal yearend process. This training will encompass the Schedule of Federal and State Awards and how their individual responsibilities are necessary for the proper reporting of Federal and State grant revenues and expenditures.

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

2015-004 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 amount indicated as the Appropriation Limit in 2014-15 (Section I.A) was understated by $25,720,287. This caused the 2014-15 Limit Adjusted by Inflation and Population Factors (Section I.D) to be understated by $23,907,019. Additionally, Part II of the GANN Report which provides budget information was not completed.

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 prior year GANN limit was revised and the effect of the revisions was not rolled forward into the current year GANN limit form.

Recommendation

The Gann Limit calculation should be reviewed by someone other than the person preparing it. The reviewer should verify the data used in the calculation to supporting schedules and trace pertinent data from the final version of the prior year form to the current year form.

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.

2015-005 Finding – Salaries of Classroom Instructors
Significant Deficiency – State Compliance

Criteria or Specific Requirement
CCR, Title 5, Section 59204 indicates that salaries of classroom instructors means all salaries paid to classified district employees who are charging salaries to instructional codes be assigned the basic title of "Instructional Aide" or other appropriate title designated by the governing board that denotes that the employees' duties include instructional tasks, and employed to assist instructors in the performance of their duties, in the supervision of students, and in the performance of instructional tasks. An employee shall be deemed to be under the supervision of an instructor for purpose of Ed. Code Section 84362 if the employee performs duties under the general direction of an instructor.

Condition
One employee being charged to instructional account codes performed duties that did not appear to involve assisting instructors in the performance of their duties in the supervision of students and in the performance of instructional tasks. Additionally, the employee did not appear to be under the supervision of an instructor.

Questioned Costs
None, the District remains in compliance.

Context
The population of the employees in this situation was two. Both individuals' duties and reporting structure were reviewed and an adjustment proposed for both employees. As the entire population of this classification of employee was adjusted, no further extrapolation was considered necessary. The original CCFS-311 form reported instructional costs as $84,788,978 and CEE $169,609,557. The revised amounts were $84,618,755 and $169,609,557.

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

Cause
Position classifications were incorrectly coded in the Banner system.

Recommendation
The District should perform an assessment to verify that classified employees who charge their salary to instructional accounts are performing duties as indicated in the education code, including verifying that they are under the supervision of an instructional staff.

Management's Response and Corrective Action Plan
District management is currently in the process of reviewing the position control system to ensure that all employees, both instructional and non-instructional, are coded correctly. As of December 2015 the District is in the process of filling a significant number of vacant positions within the Finance and Budget Offices. With the filling of these positions the District will be equipped and sufficiently staffed to ensure adequate employee classifications are correctly coded and tracked.

2015-006 Finding – State General Apportionment Funding System
Significant Deficiency – State Compliance

Criteria or Specific Requirement
CCR, title 5 Section 58003.1, indicates that student contact hours reported for each class should be the product of the number of students actively enrolled at census times the number of units of academic credit associated with the class plus laboratory hours that can be added per CCR, title 5 Section 58003.1.

Condition
Alternative education course FTES claimed for lab hours were not listed in the schedule or outline, or were not consistent with the information in the schedule and outline.

Questioned Costs
Actual - 1,330 contact hours or 2.5333 FTES, with a 2.14% error rate.
Extrapolated – 31,826 contact hours or 60.62 FTES.

Context
Three of forty Alternative Attendance Method Courses were noted as not being computed in accordance with Title 5 Regulations and the Student Attendance Accounting Manual.

Effect
Reported contact hours were overstated.

Cause
Two of the courses were noted in the schedule and course outlines as not having a lab component. However, the District claimed an additional contact hour as if these courses did have a lab component. One of the courses, appears to be a 3 unit course with 1 lab hour, but the District appears to have claimed the course with 2 lab hours.

Recommendation
Course set up should be reviewed by an individual other than the one doing the original entry to verify that contact hours are accurate and consistent with the schedule and outlines.

Management's Response and Corrective Action Plan
As of December 2015 the District is in the process filling a significant number of 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 the state apportionment 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.

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

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

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.

Current Status
Partially implemented, See 2015-001.

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.

Current Status
Not implemented, See 2015-002.

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:

7) A list of federal programs, indentified by federal agency.
8) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
9) Total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
10) Include notes that describe the accounting policies used in preparing the schedule.
11) Pass-through entities should identify in the schedule.
12) 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.

Current Status

Not implemented, See 2015-003.

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.

Current Status

Implemented

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.

Current Status
Implemented

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.

Current Status
Implemented.