

SAN FRANCISCO COMMUNITY
COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

TABLE OF CONTENTS

JUNE 30, 2016

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements - Primary Government	
Statements of Net Position	16
Statements of Revenues, Expenses, and Changes in Net Position	17
Statements of Cash Flows	18
Fiduciary Funds	
Statements of Net Position	20
Statements of Changes in Net Position	21
Notes to Financial Statements	22

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Other Postemployment Benefits (OPEB) Funding Progress	64
Schedule of the District's Proportionate Share of the Net Pension Liability	65
Schedule of District Contributions	66
Notes to Required Supplementary Information	67

SUPPLEMENTARY INFORMATION

District Organization	69
Schedule of Expenditures of Federal Awards	70
Schedule of Expenditures of State Awards	72
Schedule of Workload Measures for State General Apportionment	74
Reconciliation of <i>Education Code</i> Section 84362 (50 Percent Law) Calculation	75
Proposition 30 Education Protection Act (EPA) Expenditure Report	78
Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements	79
Reconciliation of Governmental Funds to the Statement of Net Position	80
Notes to Supplementary Information	80

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	83
Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required By the Uniform Guidance	85
Report on State Compliance	87

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	90
Financial Statement Findings and Recommendations	91
Federal Awards Findings and Questioned Costs	92
State Awards Findings and Questioned Costs	93
Summary Schedule of Prior Audit Findings	94

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of San Francisco Community College District (the District) as of and for the year ended June 30, 2016, 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.

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, 2016, 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 2 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 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, Ture, Day & Co LLP

Pleasanton, California
December 9, 2016

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 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, 2016. 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 presentation by fund type.

The focus of the Statement of Net Position is on assets, deferred outflows, liabilities, deferred inflows, and the difference between these measurement groups and is reported as of June 30, 2016. 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, 2015 and through June 30, 2016. 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, 2015 through June 30, 2016.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

ANALYSIS OF NET POSITION - FISCAL 2016

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)	2016	2015	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash, and short term receivables	\$ 109,249	\$ 72,026	\$ 37,223	51.7%
Prepaid expenses and other assets	1,834	1,620	214	13.2%
Other current assets	1,646	1,071	575	53.7%
Total Current Assets	<u>112,729</u>	<u>74,717</u>	<u>38,012</u>	<u>50.9%</u>
Non-Current Assets				
Restricted cash and investments	67,375	67,895	(520)	-0.8%
Other non-current assets	11,669	9,846	1,823	18.5%
Capital assets, net of depreciation	368,278	390,081	(21,803)	-5.6%
Total non-current assets	<u>447,322</u>	<u>467,822</u>	<u>(20,500)</u>	<u>-4.4%</u>
Total Assets	<u>560,051</u>	<u>542,539</u>	<u>17,512</u>	<u>3.2%</u>
DEFERRED OUTFLOWS OR RESOURCES				
Current year pension contribution	<u>28,718</u>	<u>16,357</u>	<u>12,361</u>	<u>100.0%</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	22,691	11,338	11,353	100.1%
Unearned revenue	17,392	9,385	8,007	85.3%
Long-term liabilities - current portion	23,502	23,439	63	0.3%
Total Current Liabilities	<u>63,585</u>	<u>44,162</u>	<u>19,423</u>	<u>44.0%</u>
Non-Current liabilities				
Long-term liabilities	<u>570,842</u>	<u>530,867</u>	<u>39,975</u>	<u>7.5%</u>
Total non-current liabilities	<u>570,842</u>	<u>530,867</u>	<u>39,975</u>	<u>7.5%</u>
Total Liabilities	<u>634,427</u>	<u>575,029</u>	<u>59,398</u>	<u>10.3%</u>
DEFERRED INFLOWS OF RESOURCES				
Difference between projected and actual earnings on pension plan investments	<u>51,485</u>	<u>55,238</u>	<u>(3,753)</u>	<u>100.0%</u>
NET POSITION				
Net investment in capital assets	118,312	125,549	(7,237)	-5.8%
Restricted	32,007	22,370	9,637	43.1%
Unrestricted	(247,462)	(219,290)	(28,172)	12.8%
Total Net Position	<u>\$ (97,143)</u>	<u>\$ (71,371)</u>	<u>\$ (25,772)</u>	<u>36.1%</u>

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

Total Current assets increased \$38.0 million over the prior year. Cash and short-term receivables increased over the prior year by \$37.2 million, or 51.7 percent. Individual component changes are as follows: Cash and investments increased over the prior year by \$39.2 million while state and local accounts receivables decreased by \$2.0 million due to improved cash flow from state apportionment. Prepaid and other assets, including negative banked overload, increased by \$0.8 million.

Non-current Assets decreased \$20.5 million or 4.4 percent over the prior year. The main items comprising the net change are a decrease in restricted cash and investments in the amount of \$0.5 million or 0.8 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 \$21.8 million or 5.6 percent over prior year. These reductions are primarily due to the removal of the historical costs associated with the Performing Arts Center from CIP, combined with changes in depreciation. The District is in the process of reinitiating the Performing Arts Center project and beginning the development in future years.

Total current liabilities increased by \$19.4 million or 44.0 percent. Accounts payable and accrued liabilities, increased by \$11.4 million. Unearned revenue increased by \$8.0 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 \$0.06 million or 0.3 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 \$40.0 million, or 7.5 percent. Net pension obligations resulted in \$6.8 million increase while General Obligation Bonds payable decreased \$18.1 million dollars as a result of scheduled coupon payments funded through property taxes and the 2015 Bond Refunding and the unamortized bond premium decreased by \$2.7 million. OPEB obligations increased by \$9.8 million. This increase is almost entirely due to the accrued unfunded portion of the OPEB obligation. Of this amount \$19.6 million represents the annual OPEB cost. The District contributed \$9.8 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 has concluded a compliance review by the Department of Education of the Student Financial Aid program and by the California Community Colleges Chancellors Office of the Distance Education course funding and has estimated the amount of stability funding to be repaid at \$38.9 million.

The District's Unrestricted Net Position decreased by \$28.2 million over the prior year as a result of recognition of \$38.9 million stability funding repayment related to the Distance Education course funding compliance review, offset by the receipt of a one-time mandated cost remittance from the State of California for \$13.9 million and other changes.

Total Net Position, which combines Restricted, Invested, and Unrestricted categories, experienced a net decrease of \$25.8 million as compared to 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.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

Operating Results for the Year

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

Table 2

(Amounts in thousands)	2016	2015	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	\$ 18,519	\$ 19,698	\$ (1,179)	-6.0%
Auxiliary services and other	4,190	3,057	1,133	37.1%
Total Operating Revenues	<u>22,709</u>	<u>22,755</u>	<u>(46)</u>	<u>-0.2%</u>
Operating Expenses				
Salaries and benefits	208,378	197,239	11,139	5.6%
Supplies and maintenance	39,313	33,101	6,212	18.8%
Student financial aid	27,240	30,424	(3,184)	-10.5%
Depreciation	24,178	46,291	(22,113)	-47.8%
Total Operating Expenses	<u>299,109</u>	<u>307,055</u>	<u>(7,946)</u>	<u>-2.6%</u>
OPERATING LOSS	(276,400)	(284,300)	7,900	-2.8%
NON-OPERATING REVENUES AND (EXPENSES)				
State apportionments	86,001	87,483	(1,482)	-1.7%
Grants and contracts	66,150	52,758	13,392	25.4%
Local property taxes	71,791	57,115	14,676	25.7%
Taxes levied for debt service	29,837	31,843	(2,006)	-6.3%
Taxes levied for other specific purposes	15,073	14,938	135	0.9%
Local taxes and other revenues	15,168	16,881	(1,713)	-10.1%
Other state revenue	4,399	5,463	(1,064)	-19.5%
Investment income (net)	773	682	91	13.3%
Interest expense on capital asset - related debt	(8,345)	(8,410)	65	-0.8%
Transfer from fiduciary fund	(295)	293	(588)	-200.7%
Transfer to fiduciary fund	-	(7)	7	-100.0%
Other nonoperating revenues	7,243	5,312	1,931	36.4%
Total nonoperating revenues	<u>287,795</u>	<u>264,351</u>	<u>23,444</u>	<u>8.9%</u>
Income (loss) before other revenues and expenses	11,395	(19,949)	31,344	-157.1%
OTHER REVENUES AND EXPENSES				
State grant and contracts	4,072	4,401	(329)	-7.5%
Local property taxes and revenues	50	14	36	257.1%
Apportionment repayment	(38,900)	-	(38,900)	100.0%
Disposal of capital assets	(2,389)	-	(2,389)	100.0%
Total other revenues and expenses	<u>(37,167)</u>	<u>4,415</u>	<u>(41,582)</u>	<u>-941.8%</u>
Increase (Decrease) in Net Position	(25,772)	(15,534)	(10,238)	65.9%
Net Position, Beginning of Year	(71,371)	(55,837)	(15,534)	27.8%
NET POSITION, END OF YEAR	<u>\$ (97,143)</u>	<u>\$ (71,371)</u>	<u>\$ (25,772)</u>	<u>36.1%</u>

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

Tuition and fees net of scholarships and allowances decreased \$1.2 million or 6.0 percent over the prior year. Auxiliary revenue is comprised of the bookstore and cafeteria net revenues. The Board of Trustees approved a modification to the Bookstore Master agreement and approved actions by the Bookstore Auxiliary Board of Trustees to enter into a 5 year contract with Follett Higher Education Group to run all of the Colleges bookstores operations. The Contract began April 1, 2013.

Consolidated operating expenses decreased by \$7.9 million over the prior year. Salaries and benefits increased \$11.1 million or 5.6 percent over the prior year. The District has slowed spending on construction and other related capital project items, which accounts for the reduction in operating expenses. The increase in salary expenses is attributed to the contract settlement with the Faculty Bargaining Unit, in which provided increases to the faculty salary tables during 2015-16.

During Fiscal year 2016, the District earned \$86.0 million in State Apportionment. The apportionment includes \$25.0 million in Education Protection Act Funds. Sales tax revenue decreased by \$1.1 million, or 19.5 percent. Tuition decreased by \$1.2 million, or 6.0 percent, over the prior year. Non-capital grants and contracts increased by \$13.3 million or 25.4 percent and local property taxes for general purposes increased by \$14.7 million or 25.7 percent.

Supplies, maintenance, utilities, and other operating expenses and services increased by \$6.2 million or 18.8, primarily due to capital outlay expenditures below the capitalization thresholds. Depreciation, a non-cash expenditure, decreased \$22.1 million or 47.8 percent. Asset retirements and their associated adjustment for depreciation are included in this category.

Total non-operating revenues increased by \$23.4 million or 8.9 percent over the prior year. Federal and state grants, including Pell Grants, a direct pass-thru to students, and other grants increased \$13.4 million or 25.4 percent over the prior year. State apportionment, including Education Protection Act funds, decreased by \$1.5 million, or 1.7 percent over the prior year. Local property tax revenues increased \$14.7 million or 25.7 percent. Taxes levied for debt service and for other specific purposes, parcel tax Measure A, decreased by \$1.9 million or 5.4% based on future debt service requirements.

Other revenues and expenses increased by \$41.6 million. This includes capital revenues decrease of \$0.3 million or 7.7 percent over the prior year and increases for charge in the amount of \$38.9 million for stability funding repayment related to Distance Education funding. All capital revenues are restricted in nature for specific capital programs and projects.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

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:

2016

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 90,687,541	\$ 3,862,907	\$ -	\$ -	\$ 94,550,448
Academic support	25,471,116	1,254,853	-	-	26,725,969
Student services	27,645,515	3,137,337	-	-	30,782,852
Plant operations and maintenanc	11,868,193	13,613,045	-	-	25,481,238
Instructional support services	9,391,723	459,742	-	-	9,851,465
General Institutional Support services	34,426,343	13,889,811	-	-	48,316,154
Community services and economic development	2,979,088	1,264,651	-	-	4,243,739
Auxiliary Services & Auxiliary Operations	5,908,737	1,830,214	-	-	7,738,951
Student aid	-	-	27,239,443	-	27,239,443
Depreciation expense	-	-	-	24,178,449	24,178,449
Total expenses	<u>\$ 208,378,256</u>	<u>\$ 39,312,560</u>	<u>\$ 27,239,443</u>	<u>\$ 24,178,449</u>	<u>\$ 299,108,708</u>

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	<u>\$ 199,738,525</u>	<u>\$ 30,601,170</u>	<u>\$ 30,423,879</u>	<u>\$ 46,291,231</u>	<u>\$ 307,054,805</u>

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District as of June 30, 2016, amounted to a total of \$368.3 million. (See Note 7 - 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 \$32.4 million or 5 percent. Depreciable capital assets, totaled \$699.0 million or 95 percent. Total accumulated depreciation was \$330.8 million, resulting in net depreciable capital assets of \$368.3 million.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 60,669	\$ 3,145	\$ 31,457	\$ 32,357
Buildings and improvements	633,979	74	-	634,053
Equipment and vehicles	31,659	1,545	567	32,637
Subtotal	726,307	4,764	32,024	699,047
Accumulated depreciation	(336,224)	(24,177)	(29,634)	(330,767)
	<u>\$ 390,083</u>	<u>\$ (19,413)</u>	<u>\$ 2,390</u>	<u>\$ 368,280</u>

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 \$24.2 million for the year. There were no significant outstanding construction commitments as of June 30, 2016.

Obligations

The major changes for the District's long-term obligations are a decrease in general obligations bonds payable of \$18.1 million due to annual payments, an increase of the Other Post-Employment Benefits of \$9.8 million, 13 percent compared to prior year, and an increase of \$6.8 million of aggregate net pension liabilities, and an increase in other liabilities of \$38.9 million for stability funding repayment related to Distance Education course funding, offset by the decrease in compensated absences and other obligations.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 320,577	\$ -	\$ (18,086)	\$ 302,491
Other post employment benefits	74,469	19,623	(9,776)	84,316
Aggregate net pension liabilities	142,378	6,751	-	149,129
Other liabilities	11,625	39,371	(1,750)	49,246
Total Long-Term Debt	<u>\$ 549,049</u>	<u>\$ 65,745</u>	<u>\$ (29,612)</u>	<u>\$ 585,182</u>
Amount due within one year				<u>\$ 18,165</u>

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

DEBT FINANCING

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

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

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.

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

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

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

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

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

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, 2016 the District has maintained these respective ratings.

The District's ratings were raised to Aa3 and A/Stable for Moody's, S&P, and Fitch respectively, the highest level since 2011, with Moody's valuing the college's bonds in the coveted Prime-1 Investment Grade range. The improved ratings mean more than just a grade for City College. The newly minted status has allowed the District to refinance outstanding bond debt and save San Francisco property taxpayers \$48.7 million. On April 9, 2015, the District refinanced \$241,290,000 of general obligation bonds from the 2001 series A, B, & 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 2015-2016 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.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

- 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 2016-17 budget year are \$23.0 million. The value of Measure A funding is estimated by the City Controller to generate approximately \$15.2 million annually in each of eight consecutive years. Both Proposition 30 and Measure A funding will make it possible for the District to rebuild its Board designated reserves and address its employer share of post-employee benefits liabilities during the currently Board approved 8 year budget plan. In November 2016, the local voters passed Proposition B, which extends the parcel tax 15 years and increases the amount per parcel to \$99, a \$20 per parcel increase. It is anticipated that this will translate into additional parcel tax revenue of \$3.2 million per year bringing anticipated annual revenue to \$18.4 million per year. Additionally, Proposition 55 was passed statewide, which extends the income tax portion of the 2012 Proposition 30 measure for 12 additional years.
- Included in the State's fiscal year 2015-16 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. The District has developed fiscal plans to soften the effect of the termination of stability funding starting in the 2017-18 fiscal year. If FTES levels remain consistent, the District anticipates a reduction of unrestricted general fund revenues of approximately \$35.2 million. The District's plans include using the fund balance reserves to cover possible future deficit spending until the District's budget is once again balanced in fiscal year 2020-21.

In addition to these provisions, the State budget also provides a restoration period for CCSF. Specifically, commencing with fiscal year 2017-18 the restoration period is extended from three years to five years and allows the College to be funded for restored FTES. For example, in fiscal year 2015-16 the College generated 21,836.84 FTES. Our FTES base for fiscal year 2012-13 was 32,628. Under the State approved restoration language, we are guaranteed funding for FTES restored from 21,910 up to 32,621 as long as this restoration occurs between fiscal years 2017-18 and 2021-22.

- 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.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

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 has conducted 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. ACCJC's final decision will be announced in February 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, 2016**

ASSETS

Current Assets

Cash and cash equivalents	\$ 90,468,619
Accounts receivable, net	17,183,813
Student loans receivable, net	1,596,413
Prepaid expenses - current portion	1,800,747
Inventories	33,776
Other assets - current portion	1,644,765
Total Current Assets	<u>112,728,133</u>

Noncurrent Assets

Restricted cash and cash equivalents	67,375,356
Prepaid expenses - noncurrent portion	9,488,889
Other assets	2,180,270
Nondepreciable capital assets	32,357,022
Depreciable capital assets, net of depreciation	335,921,034
Total Noncurrent Assets	<u>447,322,571</u>
TOTAL ASSETS	<u>560,050,704</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges related to pensions	<u>28,717,641</u>
--------------------------------------	-------------------

LIABILITIES

Current Liabilities

Accounts payable	22,690,700
Unearned revenue	17,392,202
Claims liability - current portion	5,336,465
Bonds payable - current portion	15,425,000
Lease obligations - current portion	119,988
Other long-term obligations - current portion	2,620,288
Total Current Liabilities	<u>63,584,643</u>

Noncurrent Liabilities

Compensated absences payable - noncurrent portion	6,357,316
Bank overload	6,212,878
Claims liability - noncurrent portion	1,318,071
Bonds payable - noncurrent portion	247,520,000
Lease obligations - noncurrent portion	162,434
Other postemployment benefits - noncurrent portion	84,315,874
Aggregate net pension obligation	149,129,287
Other long-term obligations - noncurrent portion	75,825,976
Total Noncurrent Liabilities	<u>570,841,836</u>
TOTAL LIABILITIES	<u>634,426,479</u>

DEFERRED INFLOWS OF RESERVES

Deferred inflows related to pensions	<u>51,485,132</u>
--------------------------------------	-------------------

NET POSITION

Net investments in capital assets	118,311,501
Restricted for:	
Debt service	5,148,138
Capital projects	16,723,644
Educational programs	4,568,402
Other activities	5,566,552
Unrestricted	(247,461,503)
TOTAL NET POSITION	<u>\$ (97,143,266)</u>

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, 2016**

OPERATING REVENUES

Student Tuition and Fees	\$ 28,631,289
Less: Scholarship discount and allowance	(10,112,187)
Net tuition and fees	<u>18,519,102</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	421,623
Cafeteria	551,936
Other revenue	<u>3,216,327</u>

TOTAL OPERATING REVENUES 22,708,988

OPERATING EXPENSES

Salaries	146,310,437
Employee benefits	62,067,819
Supplies, materials, and other operating expenses and services	39,312,560
Student financial aid	27,239,443
Depreciation	<u>24,178,449</u>

TOTAL OPERATING EXPENSES 299,108,708

OPERATING LOSS

(276,399,720)

NONOPERATING REVENUES (EXPENSES)

State apportionments, noncapital	86,000,933
Local property taxes, levied for general purposes	71,791,127
Taxes levied for debt service	29,836,547
Taxes levied for other specific purposes	15,073,163
Local sales tax	15,168,468
Federal grants	26,489,875
State grants	39,660,101
State taxes and other revenues	4,398,501
Investment income	773,142
Interest expense on capital related debt	(8,345,043)
Transfer to fiduciary funds	(294,590)
Other nonoperating revenue	<u>7,242,354</u>

TOTAL NONOPERATING REVENUES (EXPENSES) 287,794,578

INCOME BEFORE OTHER REVENUES AND EXPENSES

11,394,858

State revenues, capital	4,072,584
Local revenues, capital	50,000
Apportionment repayment	(38,900,000)
Disposal of capital assets	<u>(2,389,997)</u>

TOTAL OTHER REVENUES AND EXPENSES (37,167,413)

CHANGE IN NET POSITION

(25,772,555)

NET POSITION, BEGINNING OF YEAR

(71,370,711)

NET POSITION, END OF YEAR

\$ (97,143,266)

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, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$ 25,795,945
Payments to vendors for supplies and services	(30,516,833)
Payments to or on behalf of employees	(199,194,565)
Payments to students for scholarships and grants	(27,239,443)
Auxiliary enterprise sales and charges:	
Bookstore	421,623
Cafeteria	551,936
Other operating receipts (payments)	3,216,327
Net Cash Flows From Operating Activities	<u>(226,965,010)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	86,000,933
Local property taxes	71,791,127
Taxes levied for other specific purposes	15,073,163
Sales taxes	15,168,468
Federal grants	26,195,357
State grants	40,495,907
State taxes and other revenues	4,272,676
Agency fund receipts	(294,590)
Other nonoperating	5,672,672
Net Cash Flows From Noncapital Financing Activities	<u>264,375,713</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchase of capital assets	(4,764,499)
State revenue, capital projects	4,072,584
Local revenue, capital projects	50,000
Property taxes - related to capital debt	29,836,547
Principal paid on capital debt	(15,574,165)
Interest paid on capital debt	(13,124,213)
Net Cash Flows From Capital Financing Activities	<u>496,254</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received from investments	773,142
Net Cash Flows From Investing Activities	<u>773,142</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	38,680,099
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	119,163,876
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$157,843,975</u></u>

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

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS - PRIMARY GOVERNMENT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH
FLOWS FROM OPERATING ACTIVITIES**

Operating Loss	<u>\$ (276,399,720)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation and amortization expense	24,178,449
On behalf payments	4,516,220
Changes in Assets and Liabilities:	
Receivables	7,276,843
Inventories	1,499
Prepaid expenses	(216,336)
Accounts payable and accrued liabilities	13,193,021
Changes in deferred outflow	(12,181,378)
Change in deferred inflow	(3,932,272)
Pension obligation	6,751,620
OPEB obligation	9,847,044
Total Adjustments	<u>49,434,710</u>
Net Cash Flows From Operating Activities	<u><u>\$ (226,965,010)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 90,468,619
Cash in county treasury	67,375,356
Total Cash and Cash Equivalents	<u><u>\$ 157,843,975</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 4,516,220</u></u>
---------------------------------	----------------------------

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

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

ASSETS

Cash and cash equivalents	\$ 8,487,670
Accounts receivable, net	123,628
Student loan receivable, net	20,360
Capital assets	1,775
Total Assets	<u>8,633,433</u>

LIABILITIES

Accounts payable	151,952
Unearned revenue	25,617
Due to student groups	(120)
Total Liabilities	<u>177,449</u>

NET POSITION

Unreserved	8,455,984
Total Net Position	<u><u>\$ 8,455,984</u></u>

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, 2016**

ADDITIONS

Federal revenues	\$ 8,190
Contributions and scholarship donations	
Tuition and fees	178,716
Interest income	15,024
Transfer from District, net local revenue	294,590
	<u>1,935,625</u>
Total Additions	<u><u>2,432,145</u></u>

DEDUCTIONS

Academic salaries	414
Classified salaries	66,802
Employee benefits	1,069
Books and supplies	307,307
Services and operating expenditures	626,079
Student financial aid	1,300,660
Capital outlay	111,931
	<u>111,931</u>
Total Deductions	<u><u>2,414,262</u></u>

Change in Net Position	17,883
Net Position - Beginning	<u>8,438,101</u>
Net Position - Ending	<u><u>\$ 8,455,984</u></u>

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2016, 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 \$3,226,127 for the year ended June 30, 2016.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 pension related items.

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) 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 current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid within the fund from which the employees who have accumulated the leave are paid. The District also participates in "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period. The liability for this benefit is reported on the entity-wide financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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:

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$32,006,736 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.

Scholarships, Discounts, and Allowances

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

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, was \$4,516,220 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 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 District has implemented the provisions of this Statement as of June 30, 2016.

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 68, and Amendments to Certain Provisions of GASB Statements 67 and 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—an amendment to GASB Statement No. 27*, 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 GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, and GASB Statement No. 68 for pension plans and pensions that are within their respective scopes.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The provisions in this Statement, effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of GASB Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of GASB Statement No. 68 are effective for periods beginning after June 15, 2016.

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 GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of GASB Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures, for both the qualifying external investment pools and their participants, include information about any limitations or restrictions on participant withdrawals. The District has implemented the provisions of this Statement as of June 30, 2016.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

New Accounting Pronouncements

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 GASB 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 GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, No. 43, and No. 50, *Pension Disclosures*.

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 GASB 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. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 30, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to State or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all State and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a State or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of State or local governmental employers and to employees of employers that are not State or local governmental employers; and (3) has no predominant State or local governmental employer (either individually or collectively with other State or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment to GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment to GASB Statement No. 14*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment to GASB Statement No. 25*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment to GASB Statement No. 27*, and GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 3 - DEPOSITS AND INVESTMENTS

Policies and Practices

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

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, consist of the following:

Primary Government cash and cash equivalents	\$ 157,843,975
Fiduciary cash and cash equivalents	8,487,670
Total Deposits and Investments	<u>\$ 166,331,645</u>

Deposits and investments of the Fiduciary Funds as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 6,928,673
Investments	159,402,972
Total Deposits and Investments	<u>\$ 166,331,645</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Days to Maturity</u>
County Pool	<u>\$ 159,402,972</u>	<u>372</u>

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, 2016.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Rating June 30, 2016</u>
County Pool - San Francisco County	<u>\$ 159,402,972</u>	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, 2016, approximately \$18.1 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.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2016:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
County Pool	\$ 159,402,972	\$ -	\$ -	\$ -	\$ 159,402,972

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - ACCOUNTS RECEIVABLE

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

The accounts receivable as of June 2016 are as follows:

Federal Government	
Categorical aid	\$ 5,444,551
State Government	
Categorical aid	2,390,282
Lottery	1,078,474
Other State sources	125,825
Local Sources	
Student receivables, net	2,460,078
Other local sources	5,684,603
Total	<u>\$ 17,183,813</u>
Student receivables	\$ 5,686,205
Less allowance for bad debt	<u>(3,226,127)</u>
Student receivables, net	<u>\$ 2,460,078</u>

NOTE 6 - 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, 2016, the prepaid expenses were as follows:

Prepaid rent	\$ 9,488,889
Prepaid insurance	980,257
Prepaid other	820,490
Total	<u>\$ 11,289,636</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2016, 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	31,457,354	3,145,403	(31,457,354)	3,145,403	3,145,403	-
Total Capital Assets Not Being Depreciated	<u>60,668,973</u>	<u>3,145,403</u>	<u>(31,457,354)</u>	<u>32,357,022</u>	<u>32,357,022</u>	<u>-</u>
Capital Assets Being Depreciated						
Land improvements	148,776,853	74,405	-	148,851,258	148,851,258	-
Buildings and improvements	485,201,713	-	-	485,201,713	485,190,068	11,645
Furniture and equipment	31,010,805	1,439,691	(566,981)	31,883,515	31,728,495	155,020
Vehicles	647,850	105,000	-	752,850	752,850	-
Total Capital Assets Being Depreciated	<u>665,637,221</u>	<u>1,619,096</u>	<u>(566,981)</u>	<u>666,689,336</u>	<u>666,522,671</u>	<u>166,665</u>
Total Capital Assets	<u>726,306,194</u>	<u>4,764,499</u>	<u>(32,024,335)</u>	<u>699,046,358</u>	<u>698,879,693</u>	<u>166,665</u>
Less Accumulated Depreciation						
Land improvements	139,839,084	10,095,915	(17,927,827)	132,007,172	132,007,172	-
Buildings and improvements	170,007,716	12,362,139	(10,997,769)	171,372,086	171,361,189	10,897
Furniture and equipment	25,828,536	1,676,617	(707,844)	26,797,309	26,643,316	153,993
Vehicles	547,985	41,975	-	589,960	589,960	-
Total Accumulated Depreciation	<u>336,223,321</u>	<u>24,176,646</u>	<u>(29,633,440)</u>	<u>330,766,527</u>	<u>330,601,637</u>	<u>164,890</u>
Net Capital Assets	<u>\$ 390,082,873</u>	<u>\$ (19,412,147)</u>	<u>\$ (2,390,895)</u>	<u>\$ 368,279,831</u>	<u>\$ 368,278,056</u>	<u>\$ 1,775</u>

Depreciation expense for the year was \$24,176,646.

Interest expense related to capital debt for the year ended June 30, 2016 was \$2,098,396.

The District has written off the historical costs associated with the Performing Arts Center. The District plans to initiate a new process to begin development in future years.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable for the District as of June 30, 2016 consisted of the following:

Accrued payroll	\$ 14,891,463
Construction	2,340,284
Vendors	5,458,953
Total	<u>\$ 22,690,700</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue as of June 30, 2016 consisted of the following:

Federal financial assistance	\$ 143,877
State categorical aid	8,332,919
Other local	8,915,406
Total	<u>\$ 17,392,202</u>

NOTE 10 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund activity within the governmental funds and fiduciary funds has been eliminated respectively in the consolidation process of the basic financial statements. Balances owing between the primary government and the fiduciary funds are not eliminated in the consolidation process.

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 2016 fiscal year, the amount transferred to the fiduciary funds from the primary government was \$294,590.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 - 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 C	\$ 1,530,000	\$ -	\$ (1,530,000)	\$ -	\$ -
General obligation bonds, Series 2005					
Series A	2,930,000	-	(2,930,000)	-	-
Series C	5,785,000	-	(1,370,000)	4,415,000	1,425,000
Series D	30,660,000	-	-	30,660,000	-
General obligation bonds, 2015 Refunding	237,445,000	-	(9,575,000)	227,870,000	14,000,000
Subtotal	278,350,000	-	(15,405,000)	262,945,000	15,425,000
Unamortized bond premium	42,227,038	-	(2,680,774)	39,546,264	2,620,288
Total Bonds and Notes Payable	<u>320,577,038</u>	<u>-</u>	<u>(18,085,774)</u>	<u>302,491,264</u>	<u>18,045,288</u>
Other Liabilities					
Compensated absences	6,248,035	109,281	-	6,357,316	-
Load banking	2,147,004	240,839	-	2,387,843	-
Capital leases	451,587	120,817	(289,982)	282,422	119,988
Claims liability	2,778,607	-	(1,460,536)	1,318,071	-
Net OPEB obligation	74,468,830	19,623,450	(9,776,406)	84,315,874	-
Aggregate net pension liabilities	142,377,826	6,751,461	-	149,129,287	-
Other long term obligations	-	38,900,000	-	38,900,000	-
Total Other Liabilities	<u>228,471,889</u>	<u>65,745,848</u>	<u>(11,526,924)</u>	<u>282,690,813</u>	<u>119,988</u>
Total Long-Term Obligations	<u>\$ 549,048,927</u>	<u>\$ 65,745,848</u>	<u>\$ (29,612,698)</u>	<u>\$ 585,182,077</u>	<u>\$ 18,165,276</u>

Description of Debt

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

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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. There were no outstanding principal balances of the Series A, B, and C Bonds at June 30, 2016.

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 XIII A of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1.5 of the Education Code of the State of California (commencing at Section 15100). The bonds were authorized pursuant to provisions of the Constitution of the State of California affected by Proposition 39, the Constitutional initiative passed by voters on November 7, 2000, permitting approval of certain general obligation bonds of school and community college districts by a 55 percent vote. The total net proceeds of \$90,000,000 from the Bonds Series A issuance received by the District (net of premium and bond issuance costs) on June 20, 2006, are to be spent on construction, renovation, and land acquisition for various approved projects. These bonds have a final maturity date of June 15, 2031, and interest rates of 4.0 percent to 5.0 percent. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2006. On December 5, 2007, \$110,000,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series B Bonds were issued with a final maturity date of June 15, 2031, and interest rates of 4.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on December 15, 2008. On March 23, 2010, \$15,640,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series C Bonds were issued with a final maturity date of June 15, 2019, and interest rates of .40 percent to 4.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. On April 13, 2010, \$30,660,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series D Bonds were issued with a final maturity date of June 15, 2030, and interest rates of 4.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. The outstanding principal balances of the Series A, B, C, and D bonds at June 30, 2016, were \$0, \$0, \$4,415,000, and \$30,660,000, respectively.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2015	Issued	Redeemed	Outstanding June 30, 2016
2006	06/15/31	4.0%-5.0%	\$47,000,000	\$ 1,530,000	\$ -	\$ (1,530,000)	\$ -
2006	06/15/31	4.0%-5.0%	90,000,000	2,930,000	-	(2,930,000)	-
2010	06/15/19	.40%-4.0%	15,640,000	5,785,000	-	(1,370,000)	4,415,000
2010	06/15/34	4.0%-5.0%	30,660,000	30,660,000	-	-	30,660,000
2015	06/15/31	2.0%-5.0%	241,290,000	237,445,000	-	(9,575,000)	227,870,000
				<u>\$ 278,350,000</u>	<u>\$ -</u>	<u>\$ (5,830,000)</u>	<u>\$ 262,945,000</u>

2005 Series C bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest	Total
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	<u>\$ 4,415,000</u>	<u>\$ 290,339</u>	<u>\$ 4,705,339</u>

2015 Series D bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ 1,497,300	\$ 1,497,300
2018	-	1,497,300	1,497,300
2019	-	1,497,300	1,497,300
2020	1,440,000	1,497,300	2,937,300
2021	1,510,000	1,425,300	2,935,300
2022-2026	8,720,000	5,968,450	14,688,450
2027-2031	10,985,000	3,702,000	14,687,000
2032-2034	8,005,000	813,500	8,818,500
Total	<u>\$ 30,660,000</u>	<u>\$ 17,898,450</u>	<u>\$ 48,558,450</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2015 Refunding bonds mature through 2031 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	16,545,000	8,314,350	24,859,350
2022-2026	84,190,000	28,553,000	112,743,000
2027-2031	68,000,000	9,995,000	77,995,000
Total	<u>\$ 227,870,000</u>	<u>\$ 87,297,050</u>	<u>\$ 315,167,050</u>

Capital Leases

The District leases equipment under capital lease agreements, secured by capital assets with net book value \$562,581. Future minimum lease payments are as follows:

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

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2017	\$ 119,988
2018	117,350
2019	30,294
2020	30,294
Total	<u>297,926</u>
Less: Amount Representing Interest	(15,504)
Present Value of Minimum Lease Payments	<u>\$ 282,422</u>

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$19,623,450, and contributions made by the District during the year were \$9,776,406. Included in the annual required contribution was interest on the net OPEB obligation and adjustments of \$9,410,254 and \$3,723,442, respectively, which resulted in an increase to the net OPEB obligation of \$9,847,044. As of June 30, 2016, the net OPEB obligation was \$84,315,874. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Compensated Absences

At June 30, 2016, the liability for compensated absences was \$6,357,316.

Load Banking

At June 30, 2016, the liability for load banking was \$2,746,943.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Aggregate Net Pension Obligation

At June 30, 2016, the liability for the aggregate net pension obligation amounted to \$149,129,446. See Note 14 for additional information.

Other Long Term Debt

Other long term debt includes an estimate of \$38,900,000 related to stability funding repayments to be repaid over 10 years. See Note 15 for additional information.

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

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

Plan Description

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

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 2015-2016, the District contributed \$9,776,406 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 6,489,754
Interest on net OPEB obligation	9,410,254
Adjustment to annual required contribution	3,723,442
Annual OPEB cost (expense)	<u>19,623,450</u>
Contributions made	<u>(9,776,406)</u>
Increase in net OPEB obligation	9,847,044
Net OPEB obligation, July 1, 2015	74,468,830
Net OPEB obligation, June 30, 2016	<u><u>\$ 84,315,874</u></u>

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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
2014	\$ 18,655,949	\$ 7,681,238	41%	\$ 66,082,607
2015	\$ 15,900,008	\$ 7,513,785	47%	\$ 74,468,830
2016	\$ 19,623,450	\$ 9,776,406	50%	\$ 84,315,874

Funding Status and Funding Progress

Actuarial Accrued Liability (AAL)	\$ 175,975,011
Actuarial Value of Plan Assets	500,000
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 175,475,011</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.3%
Covered Payroll	<u>101,384,116</u>
UAAL as Percentage of Covered Payroll	<u>173.08%</u>

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.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

NOTE 13 - RISK MANAGEMENT

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

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

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

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

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

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

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

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

As of June 30, 2016, liability for claims amounted to \$6,654,536, of which \$5,336,465 is recorded in the self insurance fund and the remaining \$1,318,071 is reported as 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, 2015 to June 30, 2016.

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
As of June 30, 2016				
Workers' Compensation	\$ 2,778,607	\$ -	\$ 1,460,536	\$ 1,318,071

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported the net pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 110,236,539	\$ 16,973,021	\$ 33,910,954	\$ 5,938,779
SFERS	36,265,841	10,738,887	16,721,227	1,821,000
CalPERS	2,626,907	1,005,733	852,951	183,335
Total	<u>\$ 149,129,287</u>	<u>\$ 28,717,641</u>	<u>\$ 51,485,132</u>	<u>\$ 7,943,114</u>

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, 2014, 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.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above, and the District's total contributions were \$8,287,416.

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

At June 30, 2016, 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	\$ 110,236,539
State's proportionate share of the net pension liability associated with the District	58,302,977
Total	<u>\$ 168,539,516</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014 was 0.1637 percent and 0.1868 percent, respectively, resulting in a net decrease in the proportionate share of .02 percent.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$5,938,779. In addition, the District recognized pension expense and revenue of \$4,516,220 for support provided by the State. At June 30, 2016, 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	\$ 8,287,416	\$ -
Net change in proportionate share of net pension liability	-	14,397,200
Difference between projected and actual earnings on pension plan investments	8,685,605	17,671,675
Difference between expected and actual experience in the measurement of the total pension liability	-	1,842,079
Total	<u>\$ 16,973,021</u>	<u>\$ 33,910,954</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earning on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (3,719,157)
2018	(3,719,157)
2019	(3,719,157)
2020	2,171,401
Total	<u>\$ (8,986,070)</u>

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (2,706,546)
2018	(2,706,546)
2019	(2,706,546)
2020	(2,706,546)
2021	(2,706,546)
Thereafter	(2,706,549)
Total	<u>\$ (16,239,279)</u>

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 166,448,594
Current discount rate (7.60%)	\$ 110,236,539
1% increase (8.60%)	\$ 63,519,786

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, are summarized as follows:

	<u>City Employer Pool (Miscellaneous Non-Safety Membership)</u>		
	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
Hire date			
Benefit formula	2.3% at 62	2.3% at 62	2.3% at 65
	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 vesting schedule			
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	10.350%	10.350%	10.350%
Required employer contribution rate	19.940%	19.940%	19.940%

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.

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 were \$7,819,687.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the collective SFERS net pension liability totaling \$36,265,841. The net pension liability of the plan is measured as of June 30, 2015, 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, 2014, rolled forward to June 30, 2015 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. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 1.5795 percent and 1.7522 percent, resulting in a net increase in the proportionate share of 0.1727 percent. The following table illustrates the change in the District's proportion during the year:

For the year ended June 30, 2016, the District recognized pension expense of \$1,821,000, including amortization of deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,819,687	\$ -
Net change in proportionate share of net pension liability	-	7,441,902
Difference between projected and actual earnings on pension plan investments	2,740,053	694,806
Difference between expected and actual experience in the measurement of the total pension liability	179,147	8,584,519
Total	<u>\$ 10,738,887</u>	<u>\$ 16,721,227</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/inflows of resources related to the difference between the projected and actual earnings on pension plan investments will be amortized over a closed five year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2017	\$ 453,411
2018	453,411
2019	453,411
2020	685,014
Total	<u>\$ 2,045,247</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL of the 2014-15 measurement period is five years and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2017	\$ (3,961,819)
2018	(3,961,819)
2019	(3,961,819)
2020	(3,961,817)
Total	<u>\$ (15,847,274)</u>

Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, which was rolled forward to June 30, 2015 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, 2014 updated to June 30, 2015
Measurement date	June 30, 2015
Actuarial cost method	Entry-age normal cost
Inflation	3.33%
Salary increases	3.83% plus merit component
Investment rate of return	7.50%, net of investment expense and inflation
Municipal bond yield	3.85%
Discount rate	7.46%
Administrative expense	0.45% of payroll
Basic COLA	2.00%

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 probability of a Supplemental COLA as of June 30, 2015 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.

<u>Fiscal Year</u>	<u>Assumption</u>
2016	0.000%
2021	0.345%
2026	0.345%
2031	0.345%
Thereafter	0.345%

Discount Rate

The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.58% as of June 30, 2014 measurement date and 7.46% as of June 30, 2015 measurement date.

The discount rate used to measure the total pension liability as of June 30, 2015 was 7.46%. 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, 2015 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 2084, 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 7.46% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.85% 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, 2015 is 7.46%

The long-term expected rate of return on pension plan investments was 7.46%. 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:

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	40%	5.10%
Global fixed income	20%	1.20%
Private equity	18%	7.50%
Real assets	17%	4.10%
Hedge funds/absolute return	5.00%	3.50%

The following presents the District's allocation of the its proportionate share of the net pension liability, calculated using the 7.46% 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:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.46%)	\$ 80,197,000
Current discount rate (7.46%)	\$ 36,265,841
1% increase (8.46%)	\$ (577,000)

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

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, 2014, annual actuarial valuation reports, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2014. 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, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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	11.847%	11.847%

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, are presented above, and the total District contributions were \$424,160.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$2,626,907. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating college districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2015 and June 30, 2014 was 0.0178 percent and 0.0193 percent, respectively, resulting in a net decrease in the proportionate share of 0.0015 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$183,335. At June 30, 2016, 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	\$ 424,160	\$ -
Net change in proportionate share of net pension liability	-	170,158
Difference between projected and actual earnings on plan investments	431,442	521,389
Difference between projected and actual experience in the measurement of the total pension liability	150,131	-
Changes in assumptions	-	161,404
Total	\$ 1,005,733	\$ 852,951

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2017	\$ (65,936)
2018	(65,936)
2019	(65,936)
2020	107,861
Total	<u>\$ (89,947)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the EARSL of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2017	\$ (62,562)
2018	(62,562)
2019	(56,307)
Total	<u>\$ (181,431)</u>

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and services

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 4,275,510
Current discount rate (7.65%)	\$ 2,626,907
1% increase (8.65%)	\$ 1,255,983

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, 2015, and 2014, which amounted to \$4,516,220, \$5,302,096, and \$5,049,382, respectively, (7.12589 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, 2016, 2015, and 2014. 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 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District receives financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

The District has concluded a compliance review by the Department of Education of the Student Financial Aid program and by the California Community Colleges Chancellors Office of the Distance Education courses. The scope engagement was to review student contact hours claimed for apportionment from July 1, 2011 to June 30, 2014. State compliance requirements mandate that the District possess and retain supporting documentation substantiating student participation in these classes. Without such evidence the validity of these classes becomes questioned and therefore they are not eligible for State funding. The compliance review resulted in a questioning of \$1,804.28 FTES from the base year of the District's stability funding, which equates to approximately \$38.9 million dollars of state apportionment. Due to the size of this liability an extended pay-back period has been agreed to of 10 years, beginning with the current fiscal year. This amount has been included in long term debt of the District.

In the opinion of management, other than as noted above, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016. Any disallowed claims resulting from such audits could become a liability of the District.

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, 2016.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ 975,552
2018	901,818
2019	928,873
2020	956,739
2021	985,441
Total	<u>\$ 4,748,422</u>

Construction Commitments

As of June 30, 2016, the District was committed under various capital expenditure purchase agreements as follows:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Child Care Center Renovations	\$ 818,495	On going
Chinatown Phase II	49,725	On going
Campus Police & Dean's Office - Bungalows	55,607	On going
Rosenberg Library	574	On going
Downtown Campus	66,378	On going
John Adams Campus	597	On going
Civic Center Temporary Site	48,608	On going
Gough Street Relocation	15,244	On going
Facilities Master Plan	622,845	On going
Bench Contracts	12,772	On going
Performing Arts Center	34,321	On going
	<u>\$ 1,725,165</u>	

**SAN FRANCISCO COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16 – FINANCIAL CONDITION 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.

A visiting team representing the ACCJC has conducted 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. ACCJC’s final decision will be announced in February 2017.

Fiscal Responsibility

The District net position at June 30, 2016 was \$(58,925,690), the unrestricted net position is a deficit for the seventh consecutive year, with a negative balance of (\$198,681,657). The balance of the offsetting positive net position of \$139,755,967 is largely centered in capital assets and related capital project activities totaling \$113,227,309 as of June 30, 2016. 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 \$233,445,320, which increased by \$16,598,664 for the year ended June 30, 2016.

The District experienced an increase in net position of \$12,445,021 for the year ended June 30, 2016, including the changes in the recording of the Unfunded Aggregate Net Pension liabilities and related deferred inflows and outflows. The income before capital revenues for the year ended June 30, 2016 was \$8,322,437. Depreciation expense included in the above increase was \$29,262,641, for 2016.

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, 2016**

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%	101,384,116	173%

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability (asset)	<u>0.1637%</u>	<u>0.1838%</u>
District's proportionate share of the net pension liability (asset)	\$ 110,236,539	\$ 109,162,777
State's proportionate share of the net pension liability (asset) associated with the District	<u>58,302,977</u>	<u>65,917,198</u>
Total	<u>\$ 168,539,516</u>	<u>\$ 175,079,975</u>
District's covered - employee payroll	<u>\$ 73,432,379</u>	<u>\$ 85,079,413</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>150%</u>	<u>128%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
SFERS		
District's proportion of the net pension liability (asset)	<u>1.5795%</u>	<u>1.7522%</u>
District's proportionate share of the net pension liability (asset)		
State's proportionate share of the net pension liability (asset) associated with the District	<u>36,265,841</u>	<u>31,021,562</u>
Total	<u>\$ 36,265,841</u>	<u>\$ 31,021,562</u>
District's covered - employee payroll	<u>\$ 39,223,199</u>	<u>\$ 40,264,153</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>92%</u>	<u>77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>90%</u>	<u>92%</u>
CalPERS		
District's proportion of the net pension liability (asset)	<u>0.0178%</u>	<u>0.0193%</u>
District's proportionate share of the net pension liability (asset)	<u>\$ 2,626,907</u>	<u>\$ 2,193,486</u>
District's covered - employee payroll	<u>1,973,862</u>	<u>1,981,879</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>133%</u>	<u>111%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

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

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 8,287,416	\$ 6,520,795
Contributions in relation to the contractually required contribution	8,287,416	6,520,795
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 82,073,276</u>	<u>\$ 73,432,379</u>
Contributions as a percentage of covered - employee payroll	<u>10.10%</u>	<u>8.88%</u>
SFERS		
Contractually required contribution	\$ 7,819,687	\$ 9,603,924
Contributions in relation to the contractually required contribution	7,819,687	9,603,924
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 39,223,199</u>	<u>\$ 40,264,153</u>
Contributions as a percentage of covered - employee payroll	<u>20%</u>	<u>24%</u>
CalPERS		
Contractually required contribution	\$ 424,160	\$ 232,343
Contributions in relation to the contractually required contribution	424,160	232,343
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 1,850,556</u>	<u>\$ 1,973,862</u>
Contributions as a percentage of covered - employee payroll	<u>23%</u>	<u>12%</u>

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

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

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

Schedule of District Contributions

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2016

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

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rafael Mandelmann	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	2016
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, 2016**

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]	\$ 18,266,281
Federal Pell Grant Administrative	84.063	[1]	46,436
Federal Work-Study Program	84.033	[1]	735,933
Federal Direct Loan	84.268	[1]	2,161,463
Federal Supplemental Educational Opportunity Grants	84.007	[1]	892,121
Total Student Financial Assistance Cluster			<u>22,102,234</u>
TRIO Student Support Services	84.042A	P042A101020-14	352,018
Asian Pacific American Leaders	84.031L	P031L100012-14	115,629
Passed through California Department of Education (CDE)			
Vocational English as a Second Language	84.002A	14508	764,910
Adult Secondary Education	84.002A	13978	78,910
Civics Education	84.002A	14109	60,291
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	1,090,409
Title IC Career Tech Ed Transitions	84.048	14-C01-048	45,119
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>24,609,520</u>
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]	\$ 86,123
Child Care Development Fund Cluster			
Passed through California Department of Education (CDE)			
Child Care Development Block Grant - Centers Based	93.596	321-13609-7353	15,486
Child Care Development Block Grant - Centers Based	93.575	324-15136-7353	8,338
Total Child Care Development Fund Cluster			<u>23,824</u>
Passed through San Francisco Department of Health and Human Services			
Transitions Clinic Network	93.610	TC-003-13	68,116
Passed through Public Health Foundation Enterprises			
Linkages Initiative	93.531	[2]	8,317
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>186,380</u>

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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 SF Mayors Office Economic Workforce Development

SFMOEWD - Tech SF Initiative	17.278	[2]	40,328
------------------------------	--------	-----	--------

Passed through Employment Training Administration

Consortium for Bioscience Credentials	17.282	[2]	514,602
---------------------------------------	--------	-----	---------

TOTAL U.S. DEPARTMENT OF LABOR

729,930

U.S. DEPARTMENT OF DEFENSE

Passed through San Francisco State University

The Language Flagship Linkages

12.550	S15-0004	<u>\$ 54,392</u>
--------	----------	------------------

U.S. DEPARTMENT OF AGRICULTURE

Passed through California Department of Education

Child and Adult Food Program

10.558	04390-CACFP-38-CC-CS	<u>\$ 62,634</u>
--------	----------------------	------------------

NATIONAL AERONAUTICS & SPACE ADMINISTRATION

MUREP Scholarship

43.008		<u>2,484</u>
--------	--	--------------

Academic Exchange Programs - Undergraduate Studies

NATIONAL SCIENCE FOUNDATION

Scaling Implementation of Stem Cell Technical Education

47.076	DUE1501553	42,767
--------	------------	--------

Education and Human Resource - National Tech Center for Biolink

47.076	DUE0903317	-
--------	------------	---

Education and Human Resource - Biolink Next Gen

47.076	DUE1400721	808,829
--------	------------	---------

Education and Human Resource - MPICT

47.076	DUE1205159	207,874
--------	------------	---------

Education and Human Resources - Stem Cell Pipeline*

47.076	DUE1003852	56,996
--------	------------	--------

Passed through University of Massachusetts Boston:

Broadening Advanced Technological Education Connections

47.076	DUE1104145	5,279
--------	------------	-------

Education and Human Resources - PIPED

47.076	DUE0003826	97,225
--------	------------	--------

Education and Human Resource - MESA/STEM

47.076	DUE1154588	120,233
--------	------------	---------

Education and Human Resource - TechSpot 2.0

47.076	DUE1205032	174,281
--------	------------	---------

Passed through Collin College

National Convergent Technology Center

47.076	DUE1205077	8,509
--------	------------	-------

Passed through to Subrecipients

Education and Human Resource - National Tech Center for Biolink

47.076	DUE0903317	357,087
--------	------------	---------

Education and Human Resources - PIPED

47.076	DUE0003826	46,910
--------	------------	--------

Education and Human Resources - Stem Cell Pipeline

47.076	DUE1003852	15,773
--------	------------	--------

Education and Human Resource - Mid-Pacific Information and

Communications Technology Regional Center

47.076	DUE1205159	7,553
--------	------------	-------

TOTAL NATIONAL SCIENCE FOUNDATION

1,949,316

U. S. DEPARTMENT OF VETERANS AFFAIRS

Veterans Education

64.120	[1]	<u>4,918</u>
--------	-----	--------------

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Program	Program Entitlements			Program Revenues				Program Expenditures
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	
GENERAL FUND								
AB 86 Adult Ed Consortium	\$ 3,724,977	\$ -	\$ 3,724,977	\$ 4,279,913	\$ 31,608	\$ 2,040,402	\$ 2,271,119	\$ 2,271,119
Basic Skills-One Time & On-going	597,625	138,189	735,814	735,814	-	323,801	412,013	412,013
Beverage Container Recycling Grant	134,400	-	134,400	-	61,114	-	61,114	61,114
Board of Financial Aid Program	912,508	-	912,508	912,508	-	-	912,508	912,508
Calworks	373,979	-	373,979	373,979	-	-	373,979	373,979
California Nursing Support	152,387	-	152,387	140,196	12,191	-	152,387	152,387
Career Technical Education - Collaborative, Hub & Teacher	822,179	11,211	833,390	713,627	270,764	138,884	845,507	845,507
California Institute for Regenerative Medicine	462,796	-	462,796	379,202	83,594	-	462,796	462,796
Cal Grant	1,135,423	-	1,135,423	1,135,517	734	828	1,135,423	1,135,423
Cooperative Agencies resources for Education (CARE)	100,561	-	100,561	100,561	-	-	100,561	100,561
Childcare Taxbailout	80,713	-	80,713	80,713	-	-	80,713	80,713
Center Based Child Development	141,831	-	141,831	52,935	14,873	-	67,808	67,808
CCCCO FSS MESA	50,500	-	50,500	50,500	-	-	50,500	50,500
Deputy Sector Navigator	200,000	80,000	280,000	120,000	235,710	-	355,710	355,710
Disable Students Programs & Services (DSPS)	2,277,620	-	2,277,620	2,277,620	-	-	2,277,620	2,277,620
Economic Development (EWD)	500,000	-	500,000	260,000	226,182	-	486,182	486,182
Extended Opportunity Programs & Services (EOPS)	1,686,649	-	1,686,649	1,686,649	-	-	1,686,649	1,686,649
Foster Parenting	79,451	-	79,451	62,122	17,329	-	79,451	79,451
Full Time Student Success Grant	342,967	-	342,967	342,967	-	66,067	276,900	276,900
Prop 39 - Clean Energy Job Creation Act	668,303	710,996	1,379,299	710,996	668,303	-	1,379,299	697,779

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

Program	Program Entitlements			Program Revenues				Program Expenditures	
	Current Year	Prior Year	Total Entitlement	Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue		
SFDPH/MHSA MHCHW	\$ 261,030	\$ -	\$ 261,030	\$ 37,306	\$ 223,724	\$ -	\$ 261,030	\$ 261,030	
Scheduled Deferred Maintenance and Repairs AB1290	3,027,328	-	3,027,328	3,027,328	-	-	3,027,328	3,757,987	
Special Trustee	289,000	32,050	321,050	321,050	-	38,085	282,965	282,965	
State Department of Real Estate	79,999	-	79,999	34,999	45,000	-	79,999	79,999	
State Preschool	823,111	-	823,111	327,814	434,940	-	762,754	762,754	
Student Equity	2,888,877	1,726,830	4,615,707	4,615,707	-	2,064,458	2,551,249	2,551,249	
Student Success and Support Program (SSSP)	5,475,342	2,448,862	7,924,204	7,924,204	-	3,657,436	4,266,768	4,266,768	
San Francisco First Five-Preschool to all	127,071	-	127,071	56,510	64,216	-	120,726	120,726	
Transfer and Articulation	-	4,761	4,761	4,761	-	2,958	1,803	1,803	
Total									
			<u>\$ 5,152,899</u>	<u>\$ 32,569,526</u>	<u>\$ 30,765,498</u>	<u>\$ 2,390,282</u>	<u>\$ 8,332,919</u>	<u>\$ 24,822,861</u>	<u>\$ 24,872,000</u>

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT
 AS OF JUNE 30, 2016**

CATEGORIES	Reported Data *	Audit Adjustments	Audited Data
A. Summer Intersession (Summer 2015 only)			
1. Noncredit**	381.31	-	381.31
2. Credit	1,351.71	-	1,351.71
B. Summer Intersession (Summer 2016 - Prior to July 1, 2016)			
1. Noncredit**	20.74	-	20.74
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	8,472.91	-	8,472.91
(b) Daily Census Contact Hours	2,828.10	-	2,828.10
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	6,515.44	-	6,515.44
(b) Credit	576.17	-	576.17
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,783.35	-	1,783.35
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>21,929.73</u>	<u>-</u>	<u>21,929.73</u>

SUPPLEMENTAL INFORMATION (Subset of Above Information)

E. In-Service Training Courses (FTES)

H. Basic Skills Courses and Immigrant Education

1. Noncredit**	5,246.95	-	5,246.95
2. Credit	723.29	-	723.29

* Recertification report as of September 27, 2016.

** 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, 2016**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Academic Salaries</u>							
Instructional Salaries							
Contract or Regular	1100	\$ 39,421,719	\$ -	\$ 39,421,719	\$ 39,729,847	\$ -	\$ 39,729,847
Other	1300	24,369,658	-	24,369,658	24,172,614	-	24,172,614
Total Instructional Salaries		63,791,377	-	63,791,377	63,902,461	-	63,902,461
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,559,109	-	12,559,109
Other	1400	-	-	-	3,634,559	-	3,634,559
Total Noninstructional Salaries		-	-	-	16,193,668	-	16,193,668
Total Academic Salaries		63,791,377	-	63,791,377	80,096,129	-	80,096,129
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	28,077,868	-	28,077,868
Other	2300	-	-	-	3,808,436	-	3,808,436
Total Noninstructional Salaries		-	-	-	31,886,304	-	31,886,304
Instructional Aides							
Regular Status	2200	1,550,070	-	1,550,070	2,190,368	-	2,190,368
Other	2400	445,842	-	445,842	472,275	-	472,275
Total Instructional Aides		1,995,912	-	1,995,912	2,662,643	-	2,662,643
Total Classified Salaries		1,995,912	-	1,995,912	34,548,947	-	34,548,947
Employee Benefits	3000	19,540,696	-	19,540,696	43,532,370	-	43,532,370
Supplies and Material	4000	-	-	-	1,383,776	-	1,383,776
Other Operating Expenses	5000	-	-	-	16,650,955	-	16,650,955
Equipment Replacement	6420	-	-	-	39,387	-	39,387
Total Expenditures Prior to Exclusions		85,327,985	-	85,327,985	176,251,564	-	176,251,564

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, 2016**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		Reported Data	Audit Adjustments	Revised Data	Reported Data	Audit Adjustments	Revised Data
<u>Exclusions</u>							
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	-	-	-	7,583,551	-	7,583,551
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,085,572	-	1,085,572
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	511,026	-	511,026
Classified Salaries	2000	-	-	-	2,188,214	-	2,188,214
Employee Benefits	3000	-	-	-	584,500	-	584,500
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, 2016**

	Object/TOP Codes	ECS 84362 A Instructional Salary Cost AC 0100 - 5900 and AC 6110			ECS 84362 B Total CEE AC 0100 - 6799		
		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		-	-	-	11,952,863	-	11,952,863
Total for ECS 84362, 50 Percent Law		\$ 85,327,985	\$ -	\$ 85,327,985	\$ 164,298,701	\$ -	\$ 164,298,701
Percent of CEE (Instructional Salary Cost/Total CEE)		51.93%		51.93%	100.00%		100.00%
50% of Current Expense of Education					\$ 82,149,351		\$ 82,149,351

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, 2016**

Activity Classification	Object Code				Unrestricted
EPA Proceeds:	8630				\$ 24,978,371
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 24,978,371	\$ -	\$ -	\$ 24,978,371
Total Expenditures for EPA		\$ 24,978,371	\$ -	\$ -	\$ 24,978,371
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, 2016**

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

	<u>Unrestricted General</u>	<u>Restricted General</u>
FUND BALANCE		
Balance, June 30, 2016, (CCFS-311)	\$ 53,562,262	\$ 4,626,494
Post closing adjustments	(2,034,033)	(58,092)
Increase in:		
Decrease in prepaid assets	(179,083)	-
Balance, June 30, 2016, Audited	<u>\$ 51,349,146</u>	<u>\$ 4,568,402</u>

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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

The following schedule provides position between revenues reported on the Statement of Revenues, Expenses, and Changes in Net Position - Primary Government and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, funds have been recorded in the current period as revenues that have not been expended as of June 30, 2016. These unspent balances are reported as legally restricted ending balances within the Statement of Net Position - Primary Government.

Description	CFDA Number	Amount
Federal Revenues per Statement of Revenues, Expenditures, and Changes in Net Position		\$ 26,489,875
Federal Revenues per Statement of Changes in Fiduciary Net Position		8,190
Veterans Education	64.120	(3,270)
Medical Administrative Allowance	93.778	(102,072)
Federal Pell Grant Administrative	84.063	18,670
Perkins Loans	84.268	818,015
Federal Work Study	84.033	362,012
National Science Foundation	47.076	8,154
Total Expenditures of Federal Awards		<u>\$ 27,599,574</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2016

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 9, 2016.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 9, 2016



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

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

Report on Compliance for Each Major Federal Program

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

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

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, 2016.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
December 9, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited San Francisco Community College District's (the District) compliance with the types of compliance requirements as identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations, and the terms and conditions identified in the California Community Colleges Chancellor's Office *District Audit Manual* issued in November 2015.

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* issued in November 2015. 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 the Student Success and Support Program as noted in item 2016-001. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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, 2016.

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, 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 429	Student Success and Support Program (SSSP)
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 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 this section were not applicable.

Vavinek, Trine, Day & Co LLP

Pleasanton, California
December 9, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of the Uniform Guidane?	<u>No</u>
Identification of major Federal progra:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.007, 84.033, 84.063, 84.268	Student Financial Aid Cluster
84.048	Career Technical and Educational Act

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Qualified</u>
Unmodified for all State programs except for the following State programs which were qualified:	
	<u>Name of State Program</u>
	<u>Student Success and Support Program</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

2016-001 Student Success and Support Program

Criteria or Specific Requirement

The Student Success and Support Program handbook indicates that Student success data reported through the MIS must be accurate and complete, and that services for all students, whether new or continuing, must be reported in the term in which they are received.

Condition

Services provided to, or received by, the students in the Summer 2015 term were reported as part of the Fall 2015 services. Services reported were not consistently supported by appropriate documentation.

Questioned Costs

Education Plan Services - 8 of 25 students tested.

Counseling / Advertisement - 7 of 29 students tested.

Initial Assessments - 7 of 10 students tested.

Initial Orientations - 6 of 6 students tested.

Other Services - 3 of 19 students tested.

Context

The regulations and reporting procedures for this program have undergone significant revisions in the current fiscal year. The District reported the information based on the terms in which the students had enrolled, rather than the terms in which the services were actually performed and did not have adequate documentation for all services performed.

Effect

Services were reported in the wrong term or documentation was not available.

Cause

Counting services performed in the summer in the fall term, or in not having adequate support for the service counted.

Recommendation

The District should review its reporting methodology and report services as of the dates the services took place, rather than for the terms the students are enrolled in. In addition, the District should ensure supporting records are maintained.

Management's Response and Corrective Action Plan

The District is in the process of finalizing policies and procedures to ensure proper student records are maintained by the main campus and the educational centers. The District will also provide in-house training to individuals responsible for reporting student assessment, counseling services, student orientations, and educational plan services. This training will cover the state requirements for the period in which to report students as receiving a qualified service.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

Current Status

Implemented.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

Current Status

Implemented.

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, identified 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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

Current Status

Implemented.

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 XIII B 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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

Current Status

Implemented.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

Current Status

Implemented.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

Current Status

Implemented.