



**SAN FRANCISCO
COMMUNITY COLLEGE
DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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JUNE 30, 2017

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FINANCIAL SECTION



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

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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, 2017, 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, and the 2016-2017 *Contracted District Audit Manual*, issued by the California Community Colleges Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2017, 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 and Note 16 to the financial statements, in 2017, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 5 through 15 and the other Required Supplementary Information as listed in the Table of Contents be presented supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the Table of Contents, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information 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 21, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A rectangular box containing a handwritten signature in black ink. The signature reads "Vainek Tume Day & Co LLP".

Rancho Cucamonga, California
December 21, 2017

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017. 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, 2017. This statement combines and consolidates current financial resources with capital assets and long-term obligations.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on the costs of the District's operational activities with revenues and expense categorized as operating and nonoperating, and expenses reported by natural classification for fiscal period July 1, 2016 and through June 30, 2017. 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, 2016 through June 30, 2017.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

ANALYSIS OF NET POSITION - FISCAL 2017

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)

	2017	2016	Increase (Decrease)	Percent Change
ASSETS				
Current Assets				
Cash and short-term receivables	\$ 187,842	\$ 176,624	\$ 11,218	6.4%
Prepaid expenses and other assets	1,850	3,480	(1,630)	-46.8%
Total Current Assets	<u>189,692</u>	<u>180,104</u>	<u>9,588</u>	<u>5.3%</u>
Noncurrent Assets				
Other noncurrent assets	9,178	11,669	(2,491)	-21.3%
Capital assets, net of depreciation	348,725	368,278	(19,553)	-5.3%
Total Noncurrent Assets	<u>357,903</u>	<u>379,947</u>	<u>(22,044)</u>	<u>-5.8%</u>
Total Assets	<u>547,595</u>	<u>560,051</u>	<u>(12,456)</u>	<u>-2.2%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>58,989</u>	<u>28,718</u>	<u>30,271</u>	<u>105.4%</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	16,084	22,691	(6,607)	-29.1%
Unearned revenue	30,433	17,392	13,041	75.0%
Long-term liabilities - current portion	19,196	23,502	(4,306)	-18.3%
Total Current Liabilities	<u>65,713</u>	<u>63,585</u>	<u>2,128</u>	<u>3.3%</u>
Noncurrent Liabilities				
Long-term liabilities	605,121	570,842	34,279	6.0%
Total Liabilities	<u>670,834</u>	<u>634,427</u>	<u>36,407</u>	<u>5.7%</u>
DEFERRED INFLOWS OF RESOURCES	<u>41,669</u>	<u>51,485</u>	<u>(9,816)</u>	<u>100.0%</u>
NET POSITION				
Net investment in capital assets	129,126	118,312	10,814	9.1%
Restricted	23,301	32,007	(8,706)	-27.2%
Unrestricted	(258,346)	(247,462)	(10,884)	-4.4%
Total Net Position	<u>\$ (105,919)</u>	<u>\$ (97,143)</u>	<u>\$ (8,776)</u>	<u>-9.0%</u>

Total current assets increased \$9.6 million over the prior year. Cash and short-term receivables increased over the prior year by \$11.2 million, or 6.4 percent. Individual component changes are as follows: Cash and investments increased over the prior year by \$11.4 million while State and local accounts receivables decreased by \$.2 million due to improved cash flow from State apportionment. Prepaid and other assets, decreased by \$1.6 million due to the reclassification of load banking balances to long-term liabilities.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Noncurrent assets decreased \$22.0 million or 5.8 percent over the prior year, primarily due to a \$20 million decrease in capital assets, non-depreciable and depreciable, as a result of normal depreciation of \$26.0 million on existing assets, offset by asset additions as a result of existing site improvements.

Total current liabilities increased by \$2.1 million or 3.3 percent. Accounts payable and accrued liabilities decreased by \$6.6 million primarily due to timing of payroll expenditures. Unearned revenue increased by \$13.0 million mainly due to timing of funds received for Federal and State grants, as well as enrollment fees. The remaining current portion of long-term liabilities, which are amounts due within the current fiscal year, decreased \$4.3 million or 18.3 percent. Components that comprise this change are: increases as a result of a newly offered Supplemental Employee Retirement Plan, along with current year reduction of revenue for the Distance Education apportionment repayment, offset by decreases in unamortized bond premium and the recategorization of claims liability to noncurrent liabilities.

Noncurrent liabilities increased \$34.3 million or 6.0 percent. Aggregate net pension obligations resulted in \$65.5 million increase while General Obligation Bonds payable decreased \$15.4 million as a result of scheduled coupon payments funded through property taxes. The District offered a Supplemental Employee Retirement Plan in the current year, resulting in a \$3.0 million increase. OPEB obligations increased by \$1.2 million. This increase is almost entirely due to the accrued unfunded portion of the OPEB obligation. Of this amount, \$13.2 million represents the annual OPEB cost. The District contributed \$12.0 million towards the District's annual required contribution through payment of retiree benefits. In addition, other long-term obligations decreased by \$16.6 million as a result of the decision by the Department of Education of the Student Financial Aid program and by the California Community Colleges Chancellor's Office of the Distance Education course funding on the final amount of stability funding to be repaid.

The District's net position for net investment in capital assets increased \$10.8 million over the prior year, while the restricted net position decreased \$8.7 million, and the unrestricted net position decreased \$10.9 million. Total net position, which combines restricted, invested, and unrestricted categories, experienced a net decrease of \$8.8 million.

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

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Operating Results for the Year

The results of this year's operations for the District as a whole are reported in the *Statement of Revenues, Expenses, and Changes in Net Position* on page 16.

Table 2

(Amounts in thousands)

	2017	2016	Increase (Decrease)	Percent Change
Operating Revenues				
Tuition and fees	\$ 18,448	\$ 18,519	\$ (71)	-0.4%
Auxiliary services and other revenue	6,732	4,190	2,542	60.7%
Total Operating Revenues	25,180	22,709	2,471	10.9%
Operating Expenses				
Salaries and benefits	250,198	208,378	41,820	20.1%
Supplies and maintenance	33,163	39,313	(6,150)	-15.6%
Student financial aid	28,622	27,240	1,382	5.1%
Depreciation	26,591	24,178	2,413	10.0%
Total Operating Expenses	338,574	299,109	39,465	13.2%
OPERATING LOSS	(313,394)	(276,400)	(36,994)	13.4%
NONOPERATING REVENUES AND (EXPENSES)				
State apportionments	71,074	86,001	(14,927)	-17.4%
Grants and contracts	55,469	66,150	(10,681)	-16.1%
Local property taxes	82,240	71,791	10,449	14.6%
Taxes levied for debt service	28,762	29,837	(1,075)	-3.6%
Taxes levied for other specific purposes	15,282	15,073	209	1.4%
Local taxes and other revenues	15,254	15,168	86	0.6%
Other State revenue	4,211	4,399	(188)	-4.3%
Investment income (net)	1,284	773	511	66.1%
Interest expense on capital asset - related debt	(2,316)	(8,345)	6,029	-72.2%
Transfer to fiduciary funds	(297)	-	(297)	100.0%
Transfer from fiduciary funds	70	(295)	365	-123.7%
Other nonoperating revenues	6,192	7,243	(1,051)	-14.5%
Total Nonoperating Revenues	277,225	287,795	(10,570)	-3.7%
Income (loss) before other revenues and expenses	(36,169)	11,395	(47,564)	-417.4%
OTHER REVENUES AND EXPENSES				
State grant and contracts	4,331	4,072	259	6.4%
Local property taxes and revenues	4,025	50	3,975	7950.0%
Apportionment repayment	19,037	(38,900)	57,937	148.9%
Disposal of capital assets	-	(2,389)	2,389	100.0%
Total Other Revenues and Expenses	27,393	(37,167)	64,560	-173.7%
Decrease in Net Position	(8,776)	(25,772)	16,996	-65.9%
NET POSITION, BEGINNING OF YEAR	(97,143)	(71,371)	(25,772)	36.1%
NET POSITION, END OF YEAR	\$ (105,919)	\$ (97,143)	\$ (8,776)	9.0%

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Tuition and fees, net of scholarships and allowances, decreased \$.07 million or .4 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 five year contract with Follett Higher Education Group to run all of the Colleges' bookstores' operations. The contract began April 1, 2013.

Consolidated operating expenses increased by \$39.5 million over the prior year primarily due to increases in salaries and benefits of \$41.8 million or 20.1 percent over the prior year mainly due to salary adjustments for all collective bargaining units to restore prior salary freezes, as we as lost step, where applicable. This is offset by a \$6.2 million reduction in supplies and maintenance expense. Depreciation, a noncash expenditure, increased \$2.4 million or 10.0 percent due to leasehold improvement additions in the current year.

Total nonoperating revenues and expenses decreased by \$10.6 million or 3.7 percent over the prior year. Federal and State grants, including Pell Grants, a direct pass-thru to students, and other grants, decreased \$10.7 million or 16.1 percent over the prior year. During fiscal year 2017, the District earned \$71.1 million in State Apportionment. The apportionment includes \$22.5 million in Education Protection Act Funds. Sales tax revenue increased by \$.09 million or .6 percent. Local property taxes for general purposes increased by \$10.4 million or 14.6 percent. Taxes levied for debt service and for other specific purposes, parcel tax Measure A, decreased by \$1.1 million or 3.6 percent based on future debt service requirements. Interest expense on capital asset-related debt decreased \$6.0 million due to deferred charges on the 2015 General Obligation Refunding Bonds.

Other revenues and expenses increased by \$64.6 million primarily due to the following: revenue from the Gough Street land lease of \$3.9 million, the recognition in the prior year of \$38.9 million apportionment repayment for Distance Education combined with the current year revenue adjustment of \$19.0 million to arrive at the final repayment amount of \$25.0 million, offset by the write off of Construction-in-Progress in the prior year of \$2.4 million.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Functional Expenses

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

	Salaries and Benefits	Supplies, Material, and Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional activities	\$ 125,189,453	\$ 2,676,497	\$ -	\$ -	\$ 127,865,950
Academic support	12,741,337	771,763	-	-	13,513,100
Student services	43,689,543	1,765,464	-	-	45,455,007
Plant operations and maintenance	6,596,070	3,945,874	-	-	10,541,944
Instructional support services	54,053,955	16,156,979	-	-	70,210,934
Community services and economic development	2,469,688	1,303,787	-	-	3,773,475
Auxiliary services and auxiliary operations	4,922,532	890,228	-	-	5,812,760
Student aid	569	-	28,621,545	-	28,622,114
Physical Property and related acquisitions	535,228	5,652,578	-	-	6,187,806
Depreciation expense	-	-	-	26,590,982	26,590,982
Total Expenses	<u>\$ 250,198,375</u>	<u>\$ 33,163,170</u>	<u>\$ 28,621,545</u>	<u>\$ 26,590,982</u>	<u>\$ 338,574,072</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District as of June 30, 2017, amounted to a total of \$705.9 million. Of this amount, the nondepreciable portion, composed of land and construction in progress, was \$29.2 million or 4 percent. Depreciable capital assets totaled \$676.7 million or 96 percent. Total accumulated depreciation was \$357.2 million, resulting in net depreciable capital assets of \$348.7 million.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land and construction in progress	\$ 32,357	\$ -	\$ 3,146	\$ 29,211
Buildings and improvements	634,041	8,290	-	642,331
Equipment and vehicles	32,481	1,894	16	34,359
Subtotal	698,879	10,184	3,162	705,901
Accumulated depreciation	(330,601)	(26,591)	(16)	(357,176)
	<u>\$ 368,278</u>	<u>\$ (16,407)</u>	<u>\$ 3,146</u>	<u>\$ 348,725</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 \$26.6 million for the year.

Note 7 to the financial statements provides additional information on capital assets.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Obligations

Changes for the District's long-term obligations include a decrease in general obligations bonds payable of \$16.9 million due to annual payments, an increase of the other postemployment benefits of \$1.2 million, and an increase of \$65.5 million of aggregate net pension obligations. Additionally, other long-term obligations decreased \$16.0 million primarily due to stability funding repayment related to Distance Education course funding, along with changes in compensated absences and claims liability, offset by the offering of a Supplemental Employee Retirement Plan in the current year.

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
General obligation bonds	\$ 302,491	\$ -	\$ 16,911	\$ 285,580
Other postemployment benefits	84,316	13,226	11,984	85,558
Aggregate net pension obligations	149,129	65,487	-	214,616
Other long-term obligations	54,582	4,509	20,528	38,563
Total Long-Term Debt	<u>\$ 590,518</u>	<u>\$ 83,222</u>	<u>\$ 49,423</u>	<u>\$ 624,317</u>
Amount due within one year				<u>\$ 19,196</u>

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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

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

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

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

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

On September 10, 2012, Moody's Investor Service downgraded the District's General Obligation bond rating from A1 to A1- and assigned the rating a negative outlook. Then, on November 15, 2012, Fitch Ratings issued a revised rating which took into account the successful passage statewide of Proposition 30 and locally in San Francisco the parcel tax. Fitch modified its rating for the District's General Obligation debt from A to A- and moved the District from its "negative watch" category to a "negative outlook" category. 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, 2017, the District has maintained these respective ratings.

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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 85 percent of the total unrestricted revenues received by the District. Accordingly, the State economy plays a major factor in State appropriations for both higher education in general and to the District in particular. The balance of District unrestricted revenues comes primarily from local sales taxes, 8 percent; lottery, 2 percent; non-resident tuition, 3 percent; and other revenues, 2 percent.
- The District has planned a relatively flat budget and made conservative revenue assumptions for all major sources of funding for fiscal year 2017-2018 to work within the projected level of State and local revenue. The District actively monitors both revenues and expenditures to ensure that prompt actions are taken in response to developments as they occur.
- In November 2012 voters passed the State Proposition 30 ballot initiative. Additionally, in San Francisco voters passed a local parcel tax, measure A. The value of Proposition 30 funds in the 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 postemployment 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 percent 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 percent 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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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.

In June 2014, the Accrediting Commission for Community and Junior Colleges announced a proposed new accreditation policy for institutions that have been notified of termination for failure to meet ACCJC standards. Under this new policy, an institution can apply for restoration of its accreditation prior to the effective date of termination. After careful consideration, City College of San Francisco submitted an application for Restoration Status to the Accrediting Commission for Community and Junior Colleges on July 28, 2014. This decision was reached after a thorough review of all possible avenues forward. On July 30, 2014, ACCJC accepted the application. Based upon this application, the District prepared and presented an institutional self-evaluation report that was submitted to the ACCJC in October 2014. A visiting team representing the ACCJC conducted a site evaluation in November 2016. The visiting team's report summarizing the site visit and the District's institutional self-evaluation was finalized in early 2017.

On January 13, 2017, the ACCJC reaffirmed accreditation for City College of San Francisco for a full term of seven years.

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, 2017**

ASSETS

Current Assets

Cash and cash equivalents	\$ 18,378,040
Investments	150,833,178
Accounts receivable	12,527,555
Student loans receivable, net	6,103,282
Prepaid expenses	1,817,387
Inventories	32,349
Total Current Assets	<u>189,691,791</u>

Noncurrent Assets

Prepaid expenses - noncurrent portion	9,177,777
Nondepreciable capital assets	29,211,619
Depreciable capital assets, net of depreciation	319,513,884
Total Noncurrent Assets	<u>357,903,280</u>
TOTAL ASSETS	<u>547,595,071</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges on refunding	8,434,798
Deferred outflows of resources related to pensions	50,554,388
Total Deferred Outflows of Resources	<u>58,989,186</u>

LIABILITIES

Current Liabilities

Accounts payable	15,577,680
Accrued interest payable	505,910
Unearned revenue	30,432,747
Bonds payable - current portion	15,845,000
Lease obligations - current portion	109,304
Supplemental Early Retirement Plan - current portion	759,356
Other long-term obligations - current portion	2,482,870
Total Current Liabilities	<u>65,712,867</u>

Noncurrent Liabilities

Compensated absences	7,069,462
Load Banking	623,971
Claims liability	5,336,465
Bonds payable	269,735,305
Lease obligations	40,052
Other postemployment benefits	85,558,010
Supplemental Early Retirement Plan	2,278,068
Aggregate net pension obligation	214,616,707
Other long-term obligations	19,862,961
Total Noncurrent Liabilities	<u>605,121,001</u>
TOTAL LIABILITIES	<u>670,833,868</u>

DEFERRED INFLOWS OF RESERVES

Deferred inflows of resources related to pensions	<u>41,669,592</u>
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The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET POSITION - PRIMARY GOVERNMENT, Continued
JUNE 30, 2017

NET POSITION

Net investments in capital assets	\$ 129,126,224
Restricted for:	
Debt service	5,387,234
Capital projects	13,099,560
Educational programs	4,814,009
Unrestricted	<u>(258,346,230)</u>
TOTAL NET POSITION	<u><u>\$ (105,919,203)</u></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, 2017**

OPERATING REVENUES	
Student Tuition and Fees	\$ 28,055,327
Less: Scholarship discount and allowance	(9,607,524)
Net tuition and fees	<u>18,447,803</u>
Auxiliary Enterprise Sales and Charges	
Bookstore	330,318
Cafeteria	545,548
Other revenue	<u>5,856,553</u>
TOTAL OPERATING REVENUES	<u>25,180,222</u>
OPERATING EXPENSES	
Salaries	147,914,598
Employee benefits	102,283,777
Supplies, materials, and other operating expenses and services	32,278,296
Student financial aid	28,621,545
Equipment, maintenance, and repairs	884,874
Depreciation	<u>26,590,982</u>
TOTAL OPERATING EXPENSES	<u>338,574,072</u>
OPERATING LOSS	<u>(313,393,850)</u>
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	71,073,818
Local property taxes, levied for general purposes	82,240,443
Taxes levied for debt service	28,762,068
Taxes levied for other specific purposes	15,281,673
Local sales tax	15,254,074
Federal grants	22,437,009
State grants	33,031,612
State taxes and other revenues	4,211,250
Investment income	1,283,696
Interest expense on capital related debt	(2,315,919)
Transfer to fiduciary funds	(296,841)
Transfer from fiduciary funds	70,127
Other nonoperating revenue	<u>6,192,337</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>277,225,347</u>
LOSS BEFORE OTHER REVENUES	<u>(36,168,503)</u>
OTHER REVENUES	
State revenues, capital	4,330,659
Local revenues, capital	4,024,868
Apportionment repayment	<u>19,037,039</u>
TOTAL OTHER REVENUES	<u>27,392,566</u>
CHANGE IN NET POSITION	<u>(8,775,937)</u>
NET POSITION, BEGINNING OF YEAR	<u>(97,143,266)</u>
NET POSITION, END OF YEAR	<u><u>\$ (105,919,203)</u></u>

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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 12,942,550
Payments to vendors for supplies and services	(27,930,388)
Payments to or on behalf of employees	(221,978,846)
Payments to students for scholarships and grants	(28,621,545)
Auxiliary enterprise sales and charges	6,732,419
Net Cash Flows From Operating Activities	<u>(258,855,810)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State apportionments	68,446,102
Property taxes - nondebt related	126,256,585
Grants and contracts	75,270,687
State taxes and other revenues	3,539,897
Other nonoperating revenues	10,640,683
Net Cash Flows From Noncapital Financing Activities	<u>284,153,954</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchase of capital assets	(11,562,965)
State revenue, capital projects	4,330,659
Local revenue, capital projects	4,024,868
Property taxes - related to capital debt	15,281,673
Principal paid on capital debt	(17,044,025)
Interest paid on capital debt	(10,244,807)
Net Cash Flows From Capital Financing Activities	<u>(15,214,597)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from investments	<u>1,283,696</u>
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NET CHANGE IN CASH AND CASH EQUIVALENTS

11,367,243

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

157,843,975

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 169,211,218

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, 2017**

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

Operating Loss	<u>\$ (313,393,850)</u>
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation expense	26,590,982
Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows	
Receivables	(3,643,204)
Inventories	1,427
Prepaid expenses	4,119,507
Accounts payable and accrued liabilities	(6,413,519)
Unearned revenue	(1,862,049)
Deferred outflows of resources related to pensions	(21,836,747)
Compensated absences and load banking	(1,051,726)
Supplemental early retirement plan	3,037,424
Claims payable	(1,318,071)
Net OPEB obligation	1,242,136
Pension obligation	65,487,420
Deferred inflows of resources related to pensions	(9,815,540)
Total Adjustments	<u>54,538,040</u>
Net Cash Flows From Operating Activities	<u><u>\$ (258,855,810)</u></u>

CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:

Cash in banks	\$ 18,378,040
Cash in county treasury	150,833,178
Total Cash and Cash Equivalents	<u><u>\$ 169,211,218</u></u>

NONCASH TRANSACTIONS

On behalf payments for benefits	<u><u>\$ 8,739,653</u></u>
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The accompanying notes are an integral part of these financial statements.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	Retiree OPEB Trust	Other Trust Funds
ASSETS		
Investments	\$ 12,966,424	\$ 8,750,372
Accounts receivable	-	15,757
Student loans receivable	-	197,477
Prepaid expenses	-	5,409
Depreciable capital assets, net of depreciation	-	1,775
Total Assets	<u>12,966,424</u>	<u>8,970,790</u>
LIABILITIES		
Accounts payable	-	58,889
Unearned revenue	-	102,636
Total Liabilities	<u>-</u>	<u>161,525</u>
NET POSITION		
Restricted for postemployment benefits other than pensions	\$ 12,966,424	-
Unrestricted	-	8,809,265
Total Net Position	<u>\$ 12,966,424</u>	<u>\$ 8,809,265</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, 2017**

	Retiree OPEB Trust	Other Trust Funds
ADDITIONS		
Federal revenues	\$ -	\$ 6,996
Local revenues	1,243,581	2,374,739
Total Additions	<u>1,243,581</u>	<u>2,381,735</u>
DEDUCTIONS		
Academic salaries	-	135
Classified salaries	-	58,305
Employee benefits	-	230
Books and supplies	-	227,024
Services and operating expenditures	-	369,747
Student financial aid	-	48,207
Total Deductions	<u>-</u>	<u>703,648</u>
OTHER FINANCING SOURCES (USES)		
Transfer from primary government	-	296,841
Transfer to primary government	-	(70,127)
Other sources - District contributions to OPEB trust	3,839,071	-
Other uses - Student payments	-	(1,551,520)
Total Other Financing Sources (Uses)	<u>3,839,071</u>	<u>(1,324,806)</u>
CHANGE IN NET POSITION	5,082,652	353,281
NET POSITION, BEGINNING OF YEAR, AS RESTATED (See Note 16)	7,883,772	8,455,984
NET POSITION, END OF YEAR	<u>\$ 12,966,424</u>	<u>\$ 8,809,265</u>

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 - ORGANIZATION

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

Financial Reporting Entity

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

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

The 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, 2017

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held at June 30, 2017, are stated at fair value. Fair value is estimated based on quoted market prices at year end. Short-term investments have an original maturity date greater than three months, but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

Accounts Receivable

Accounts receivable include amounts due from the Federal, State and/or local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. Accounts receivable also consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of California. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis. The allowance was estimated at \$3,257,110 for the year ended June 30, 2017.

Prepaid Expenses

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

Inventories

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

Capital Assets and Depreciation

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

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Accrued Liabilities and Long-Term Obligations

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

Deferred Charges on Refunding

Deferred charges on refunding is amortized using the straight-line method over the remaining life of the new debt.

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 deferred charges on refunding of general obligation bonds and 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), the City and County of San Francisco Employees' Retirement System (SFERS), and the California Public Employees' Retirement System (CalPERS) Miscellaneous Risk Pool (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS, SFERS, and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

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, 2017

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, compensated absences, load banking, claims liability, capital leases, supplemental early retirement plan, apportionment payable, and aggregate net pension 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.

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

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 financial statements report \$23,300,803 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, 2017

Estimates

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

Interfund Activity

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 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 District has implemented the provisions of this Statement as of June 30, 2017.

As the result of implementing GASB Statement No. 74, the District has restated the beginning net position of the Fiduciary Funds Statement of Net Position, effectively increasing the District's Fiduciary Net Position as of July 1, 2016, by \$7,883,772. The increase results from accounting for the District's OPEB Trust within the District's Fiduciary accounts.

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 District has implemented the provisions of this Statement as of June 30, 2017.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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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 District has implemented the provisions of this Statement as of June 30, 2017.

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 District has implemented the provisions of this Statement as of June 30, 2017.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

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The District has implemented the provisions of this Statement as of June 30, 2017, 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.

New Accounting Pronouncements

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 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.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

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

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

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

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

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

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

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

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

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

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

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

General Authorizations

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

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, consist of the following:

Primary Government	\$ 169,211,218
Fiduciary funds	21,716,796
Total Deposits and Investments	<u>\$ 190,928,014</u>
Cash on hand and in banks	\$ 18,378,040
Investments	172,549,974
Total Deposits and Investments	<u>\$ 190,928,014</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. The District manages its exposure to interest rate risk by primarily investing in the City and County of San Francisco Investment Pool. The District maintains an investment of \$158,383,550 with the City and County of San Francisco Investment Pool with a weighted maturity of 471 days. In addition, the District also has an investment of \$1,200,000 in Certificates of Deposits and \$12,966,424 in Short-Term Securities.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the City and County of San Francisco Investment Pool, Certificates of Deposits, and Short-term equities are not required to be rated, nor have they been rated as of June 30, 2017.

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, 2017, approximately \$23.9 million of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 4 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the City and County of San Francisco Investment Pool 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, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Uncategorized</u>
City and County of San Francisco Investment Pool	\$ 158,313,252	\$ -	\$ 158,313,252
US Equity	4,801,321	4,801,321	-
International Equity	4,798,395	4,798,395	-
Fixed Income	3,366,608	3,366,608	-
Certificates of Deposits	1,195,662	1,195,662	-
Total	<u>\$ 172,475,238</u>	<u>\$ 14,161,986</u>	<u>\$ 158,313,252</u>

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017, consisted primarily of intergovernmental grants, entitlements, interest, and other local sources.

The accounts receivable are as follows:

	Primary Government	Fiduciary Funds
Federal Government		
Categorical aid	\$ 3,172,795	\$ -
State Government		
Categorical aid	2,367,348	-
Lottery	1,034,921	-
Local Sources		
Contract Education	1,426,900	-
Sales tax	1,104,701	-
Other local sources	3,420,890	15,757
Total	<u>\$ 12,527,555</u>	<u>\$ 15,757</u>
Student receivables	\$ 9,360,392	\$ 197,477
Less allowance for bad debt	(3,257,110)	-
Student receivables, net	<u>\$ 6,103,282</u>	<u>\$ 197,477</u>

NOTE 6 - PREPAID EXPENSES

In 2003, the District entered into a 75 year operating contract with San Francisco Unified School District to lease real property located at 106 Bartlett Street, San Francisco, California with a lump sum payment of \$7,500,000. This amount was recorded as prepaid expenses and is being amortized as annual operating lease expense of \$100,000 over the 75 year period. On June 9, 2006, the District entered into a second lease agreement with San Francisco Unified School District for additional property at 106 Bartlett Street with a lump sum payment of \$4,000,000. This amount was recorded as prepaid expense and is being amortized as annual operating lease expense of \$55,556 over the remaining life of the original lease. As of June 30, 2017, the prepaid expenses were as follows:

	Primary Government	Fiduciary Funds
Prepaid rent	\$ 9,333,333	\$ -
Prepaid other	1,661,831	5,409
Total	<u>\$ 10,995,164</u>	<u>\$ 5,409</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the District for the fiscal year ended June 30, 2017, was as follows:

	Balance Beginning of Year	Additions	Deletions Adjustments	Balance End of Year	Fiduciary Activities
Capital Assets Not Being Depreciated					
Land	\$ 29,211,619	\$ -	\$ -	\$ 29,211,619	\$ -
Construction in progress	3,145,403	-	3,145,403	-	-
Total Capital Assets Not Being Depreciated	32,357,022	-	3,145,403	29,211,619	-
Capital Assets Being Depreciated					
Land improvements	148,851,258	8,289,798	-	157,141,056	-
Buildings and improvements	485,190,068	-	-	485,190,068	11,645
Furniture and equipment	31,728,495	1,753,868	16,500	33,465,863	155,020
Vehicles	752,850	140,166	-	893,016	-
Total Capital Assets Being Depreciated	666,522,671	10,183,832	16,500	676,690,003	166,665
Total Capital Assets	698,879,693	10,183,832	3,161,903	705,901,622	166,665
Less Accumulated Depreciation					
Land improvements	132,007,172	7,515,724	-	139,522,896	-
Buildings and improvements	171,361,189	17,355,631	-	188,716,820	10,897
Furniture and equipment	26,643,316	1,640,369	16,500	28,267,185	153,993
Vehicles	589,960	79,258	-	669,218	-
Total Accumulated Depreciation	330,601,637	26,590,982	16,500	357,176,119	164,890
Net Capital Assets	\$ 368,278,056	\$ (16,407,150)	\$ 3,145,403	\$ 348,725,503	\$ 1,775

Depreciation expense for the year was \$26,590,982.

Interest expense related to capital debt for the year ended June 30, 2017 was \$3,164,137. Of this amount, \$848,218 was capitalized.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable as of June 30, 2017, consisted of the following:

	Primary Government	Fiduciary Funds
Accrued payroll	\$ 7,366,096	\$ -
Construction	1,640,783	-
Vendors	6,570,801	58,889
Total	<u>\$ 15,577,680</u>	<u>\$ 58,889</u>

NOTE 9 - UNEARNED REVENUE

Unearned revenue as of June 30, 2017, consisted of the following:

	Primary Government	Fiduciary Funds
Federal financial assistance	\$ 143,877	\$ -
Apportionment	5,705,203	-
State categorical aid	14,763,962	-
Enrollment fees	7,053,357	-
Other local	2,766,348	102,636
Total	<u>\$ 30,432,747</u>	<u>\$ 102,636</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. As of June 30, 2017, there were no amounts owed between the primary government and the fiduciary funds.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 2017 fiscal year, the amount transferred to the fiduciary funds from the primary government was \$296,841, and the amount transferred from the fiduciary funds to the primary government was \$70,127.

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
General obligation bonds payable					
General obligation bonds, Series 2005					
Series C	\$ 4,415,000	\$ -	\$ 1,425,000	\$ 2,990,000	\$ 1,465,000
Series D	30,660,000	-	-	30,660,000	-
General obligation bonds, 2015 Refunding	227,870,000	-	14,000,000	213,870,000	14,380,000
Subtotal	262,945,000	-	15,425,000	247,520,000	15,845,000
Unamortized bond premium	39,546,264	-	1,485,959	38,060,305	-
Total Bonds Payable	302,491,264	-	16,910,959	285,580,305	15,845,000
Other Obligations					
Compensated absences	6,357,316	712,146	-	7,069,462	-
Load banking	2,387,843	-	1,763,872	623,971	-
Capital leases	282,422	-	133,066	149,356	109,304
Supplemental early retirement plan	-	3,796,780	759,356	3,037,424	759,356
Claims liability	6,654,536	-	1,318,071	5,336,465	-
Net OPEB obligation	84,315,874	13,226,121	11,983,985	85,558,010	-
Aggregate net pension obligations	149,129,287	65,487,420	-	214,616,707	-
Other long-term obligations	38,900,000	-	16,554,169	22,345,831	2,482,870
Total Other Obligations	288,027,278	83,222,467	32,512,519	338,737,226	3,351,530
Total Long-Term Obligations	\$ 590,518,542	\$ 83,222,467	\$ 49,423,478	\$ 624,317,531	\$ 19,196,530

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Description of Debt

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

Election of 2005, Series C and D Bonds

To increase educational opportunities, raise student achievement, and improve conditions in its neighborhood campuses throughout San Francisco, the voters of the City and County of San Francisco approved a \$246,300,000 General Obligation Bonds issued for the San Francisco Community College District on November 8, 2005, under the provisions of Article 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. On March 23, 2010, \$15,640,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series C Bonds were issued with a final maturity date of June 15, 2019, and interest rates of .40 percent to 4.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. On April 13, 2010, \$30,660,000 (net of premium and bond issuance costs) of San Francisco Community College District, Election of 2005, Series D Bonds were issued with a final maturity date of June 15, 2034, and interest rates of 4.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2010. The outstanding principal balances of the Series C and D bonds at June 30, 2017, were \$2,990,000, and \$30,660,000, respectively.

Election of 2015, Series D Refunding Bonds

On March 24, 2015, \$241,290,000 (net of premium and bond issuance costs) of San Francisco Community College District, 2015 General Obligation Refunding Bonds were issued with a final maturity date of June 15, 2031, and interest rates of 2.0 percent to 5.0 percent, depending on the maturity of the related bonds. Interest is payable semiannually on June 15 and December 15 of each year commencing on June 15, 2015. The outstanding principal balances of the 2015 General Obligation Refunding Bonds at June 30, 2017, were \$213,870,000.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Debt Maturity

General Obligation Bonds

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2017
				Outstanding July 1, 2016	Issued	Redeemed	
2010	06/15/19	.40%-4.0%	\$ 15,640,000	\$ 4,415,000	\$ -	\$ 1,425,000	\$ 2,990,000
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	227,870,000	-	14,000,000	213,870,000
				<u>\$ 262,945,000</u>	<u>\$ -</u>	<u>\$ 15,425,000</u>	<u>\$ 247,520,000</u>

2005 Series C bonds mature through 2019 as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 1,465,000	\$ 102,063	\$ 1,567,063
2019	1,525,000	43,463	1,568,463
Total	<u>\$ 2,990,000</u>	<u>\$ 145,526</u>	<u>\$ 3,135,526</u>

2015 Series D bonds mature through 2034 as follows:

Fiscal Year	Principal	Interest	Total
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	1,590,000	1,349,800	2,939,800
2023-2027	9,120,000	5,568,150	14,688,150
2028-2032	11,535,000	3,152,750	14,687,750
2033-2034	5,465,000	413,250	5,878,250
Total	<u>\$ 30,660,000</u>	<u>\$ 16,401,150</u>	<u>\$ 47,061,150</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

2015 Refunding bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest	Total
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	17,325,000	7,496,500	24,821,500
2023-2027	79,210,000	24,351,500	103,561,500
2028-2031	55,655,000	6,700,000	62,355,000
Total	<u>\$ 213,870,000</u>	<u>\$ 76,347,100</u>	<u>\$ 290,217,100</u>

Compensated Absences

At June 30, 2017, the liability for compensated absences was \$7,069,462.

Load Banking

At June 30, 2017, the liability for load banking was \$623,971.

Claims Liability

At June 30, 2017, the liability for claims liability was \$5,336,465. See Note 13 for additional information.

Capital Leases

The District leases equipment under capital lease agreements, secured by capital assets with net book value \$149,356. Future minimum lease payments are as follows:

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

Year Ending June 30,	Lease Payment
2018	\$ 117,350
2019	30,294
2020	14,787
Total	<u>162,431</u>
Less: Amount Representing Interest	<u>(13,075)</u>
Present Value of Minimum Lease Payments	<u>\$ 149,356</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

Supplemental Early Retirement Plan (SERP)

The District adopted a one-time SERP for full-time faculty who were employed by the District as of December 15, 2016. To be eligible for early retirement benefits, the employee must have been at least 55 years of age, have five or more years of District service, be eligible to retire from CalSTRS, and be resigned from District employment by June 30, 2017. In exchange for early retirement, the District will contribute 65 percent of the 2016-2017 actual paid step/column salary. The District had 57 employees that enrolled in the SERP. The remaining obligation as of June 30, 2017, is \$3,037,424. Future SERP payments are as follows:

Year Ending June 30,	Payment
2018	\$ 759,356
2019	759,356
2020	759,356
2021	759,356
Total	<u>\$ 3,037,424</u>

Other Postemployment Benefits Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$13,377,975, and contributions made by the District during the year were \$11,983,985. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$4,637,373 and \$(4,789,227), respectively, which resulted in an increase to the net OPEB obligation of \$1,242,136. As of June 30, 2017, the net OPEB obligation was \$85,558,010. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

Aggregate Net Pension Obligation

At June 30, 2017, the liability for the aggregate net pension obligation amounted to \$214,616,707. See Note 14 for additional information.

Other Long-Term Debt

Other long-term debt of \$22,345,831 related to stability funding repayments to be repaid over 10 years. Future repayments are as follows:

Year Ending June 30,	Repayments
2018	\$ 2,482,870
2019	2,482,870
2020	2,482,870
2021	2,482,870
2022	2,482,870
2023-2026	9,931,481
Total	<u>\$ 22,345,831</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Plan administration. The District's Governing Board administers the Postemployment Benefits Plan (the Plan), a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for the District.

Management of the Plan is vested in the District's management.

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

Inactive Plan members or beneficiaries currently receiving benefit payments	1,056
Active Plan members	1,311
	<u>2,367</u>

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

Contributions. The contribution requirements of Plan members and the District are established and may be amended by the District and the bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed \$11,983,985 to the Plan, of which \$8,144,914 was used for current premiums, and \$3,839,071 was contributed to the District's OPEB trust. Plan members are not required to contribute to the Plan.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	37%
Fixed income	26%
International equity	37%
Total	<u>100%</u>

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.79 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Retiree Health Benefit OPEB Trust

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

Net OPEB of the District

The component of the net OPEB liability of the District as June 30, 2017, was as follows:

Total Actuarial Accrued OPEB liability	\$ 144,234,342
Plan fiduciary net position	<u>12,966,424</u>
District's net OPEB liability	<u>\$ 131,267,918</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>9%</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent
Investment rate of return	5.50 percent
Health care cost trend rates	4.00 percent

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study as of April 2016.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	2.7%
Fixed income	3.5%
International equity	8.7%

Discount rate. The discount rate used to measure the total OPEB liability was 5.50 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount and health care cost trend rates. The OPEB liability is based on the actuarial report that relies on estimates and assumptions that affect the amounts reported. Particularly, changes in the discount and health care cost trend rates used can have a significant impact on the resulting actuarially determined OPEB liability. Actual results may differ from these estimates and assumptions.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, liability for claims amounted to \$5,336,465, which is recorded in the self-insurance fund.

Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2017.

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
As of June 30, 2017				
Workers' Compensation	\$ 6,654,536	\$ -	\$ 1,318,071	\$ 5,336,465

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported the net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Proportionate Share of Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 127,669,976	\$ 21,305,968	\$ 18,845,538	\$ 9,191,342
SFERS	85,831,480	29,024,242	22,693,106	41,453,105
CalPERS	1,115,251	224,178	130,948	1,022,021
Total	<u>\$ 214,616,707</u>	<u>\$ 50,554,388</u>	<u>\$ 41,669,592</u>	<u>\$ 51,666,468</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, 2015, 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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

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, 2017, are presented above, and the District's total contributions were \$11,156,268.

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

At June 30, 2017, 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	\$ 127,669,976
State's proportionate share of the net pension liability associated with the District	72,680,240
Total	<u>\$ 200,350,216</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.1578 percent and 0.1637 percent, respectively, resulting in a net decrease in the proportionate share of 0.0059 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$9,191,342. In addition, the District recognized pension expense and revenue of \$7,025,310 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 11,156,268	\$ -
Net change in proportionate share of net pension liability	-	15,731,174
Difference between projected and actual earnings on the pension plan investments	10,149,700	-
Difference between expected and actual experience in the measurement of the total pension liability	-	3,114,364
Total	<u>\$ 21,305,968</u>	<u>\$ 18,845,538</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
2018	\$ 221,432
2019	221,433
2020	5,900,056
2021	3,806,779
Total	<u>\$ 10,149,700</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (3,590,172)
2018	(3,590,172)
2020	(3,590,172)
2021	(3,590,172)
2022	(3,590,175)
Thereafter	(894,675)
Total	<u>\$ (18,845,538)</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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

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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%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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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%)	\$ 183,745,889
Current discount rate (7.60%)	127,669,976
1% increase (8.60%)	81,096,583

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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The SFERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>City Employer Pool (Miscellaneous Non-Safety Membership)</u>		
	<u>On or after November 2, 1976 and before July 1, 2010</u>	<u>On or after July 1, 2010 and before July 7, 2012</u>	<u>On or after January 7, 2012</u>
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	18.4% - 21.4%	18.4% - 21.4%	18.4% - 21.4%

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

Contributions

Contributions are made to the plan by both the employers and the participating employees. The basic employer contributions are the amounts deemed necessary, on an actuarial basis using the entry age normal cost method, to provide the plan with assets sufficient to pay the basic benefits that are not provided for by employees' contributions. Employee and employer contributions are mandatory, as required by the City Charter. The District's contributions to SFERS, for the year ended June 30, 2017, were \$8,192,668.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the collective SFERS net pension liability totaling \$85,831,480. The net pension liability of the plan is measured as of June 30, 2016, 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, 2016. 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, 2016 and June 30, 2015, was 1.4766 percent and 1.5795 percent, respectively, resulting in a decrease in the proportionate share of 0.1029 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$41,453,105, including amortization of deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2017, 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	\$ 8,192,668	\$ -
Net change in proportionate share of net pension liability	-	9,323,516
Difference between projected and actual earnings on the pension plan investments	8,801,581	9,611,506
Difference between expected and actual experience in the measurement of the total pension liability	-	3,541,570
Change in assumptions	12,029,993	216,514
Total	<u>\$ 29,024,242</u>	<u>\$ 22,693,106</u>

The deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The remaining deferred outflows/ inflows of resources will be amortized over a closed five year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2018	\$ (4,796,904)
2019	1,018,488
2020	3,131,479
2021	(1,214,595)
Total	<u>\$ (1,861,532)</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The total pension liability was determined by an actuarial valuation as of June 30, 2016. The following is a summary of the actuarial methods and assumptions used in the actuarial valuation:

Valuation date	July 1, 2014
Measurement date	June 30, 2016
Actuarial cost method	Entry-age normal cost
Inflation	3.25%
Salary increases	3.75% plus merit component
Investment rate of return	7.50%, net of investment expense and inflation
Municipal bond yield	3.85%
Discount rate	7.50%
Administrative expense	0.45% of payroll
Basic COLA	2.00%

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

The 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 percent basic COLA for sample years.

<u>Fiscal Year</u>	<u>Assumption</u>
2017	0.000%
2022	0.186%
2027	0.307%
2032	0.363%
Thereafter	0.375%

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 7.46 percent as of June 30, 2015, measurement date and 7.50 percent as of June 30, 2016, measurement date.

The discount rate used to measure the total pension liability as of June 30, 2016, was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2016, 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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The plan's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2093, when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50 percent to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.85 percent to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2016, is 7.50 percent.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40%	5.1%
Global fixed income	20%	1.1%
Private equity	18%	6.3%
Real assets	17%	4.3%
Hedge funds/absolute return	5%	3.3%

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 136,016,994
Current discount rate (7.50%)	85,831,480
1% increase (8.50%)	44,322,763

California Public Employees' Retirement System (CalPERS)

Plan Description

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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

Benefits Provided

The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for employment-related disability benefits regardless of length of service and non-duty disability benefits after five years of service. Disability benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. The Post-Retirement Death Benefit is a one-time payment made to a retiree's designated survivor or estate upon the retiree's death. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, 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
Required employee contribution rate	6.89%	6.89%
Required employer contribution rate	8.88%	8.88%

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, 2017, are presented above, and the total District contributions were \$49,922.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$1,115,251. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, was 0.0321 percent and 0.0301 percent, respectively, resulting in a net increase in the proportionate share of 0.0020 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,022,021. At June 30, 2017, 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	\$ 49,922	\$ -
Difference between projected and actual earnings on the pension plan investments	171,001	115,879
Difference between expected and actual experience in the measurement of the total pension liability	3,255	484
Changes in assumptions	-	14,585
Total	<u>\$ 224,178</u>	<u>\$ 130,948</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (9,132)
2019	(9,131)
2020	48,807
2021	24,578
Total	<u>\$ 55,122</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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (6,130)
2019	(5,534)
2020	(150)
Total	<u>\$ (11,814)</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

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:

Discount Rate	Net Pension Liability
1% decrease (6.65%)	\$ 1,737,533
Current discount rate (7.65%)	1,115,251
1% increase (8.65%)	600,967

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal year ended June 30, 2017, which amounted to \$8,739,653 (8.828 percent) of salaries subject to CalSTRS. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. No contributions were made for CalPERS for the year ended June 30, 2017. 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.

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, 2017.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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
2018	\$ 901,818
2019	928,873
2020	956,739
2021	985,441
Total	<u>\$ 3,772,871</u>

Construction Commitments

The District had several commitments with respect to the unfinished capital projects. These projects are funded through a combination of general obligation bonds and capital project apportionments from the California State Chancellor's Office. As of June 30, 2017, the total amount committed was approximately \$1.5 million.

NOTE 16 - PRIOR PERIOD RESTATEMENT

The District's beginning fiduciary net position has been restated as of July 1, 2016.

The District adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in the current year. The implementation of this standard required a change in accounting principle and restatement of the beginning net position of the fiduciary funds by \$7,883,772.

Fiduciary Funds	
Net Position - Beginning of year	\$ 8,455,984
Restatement of the District's OPEB Plan Fiduciary Net Position for the implementation of GASB Statement No. 74	<u>7,883,772</u>
Net Position - Beginning of year, as Restated	<u>\$ 16,339,756</u>

REQUIRED SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Total Net OPEB Liability*	
Annual required contribution	\$ 13,377,975
Adjustment to annual required contribution	(4,789,227)
Interest on net OPEB liability	4,637,373
Contribution to OPEB Trust	(3,839,071)
Pay as you go contribution	(8,144,914)
Net Changes in Total OPEB Liability	<u>1,242,136</u>
Total Net OPEB Liability - Beginning	<u>84,315,874</u>
Total Net OPEB Liability - Ending	<u><u>\$ 85,558,010</u></u>
Plan Fiduciary Net Position**	
Contributions - employer	\$ 3,839,071
Net investment income	1,243,581
Net Change in Plan Fiduciary Net Position	<u>5,082,652</u>
Plan Fiduciary Net Position - Beginning	<u>7,883,772</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 12,966,424</u></u>

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

* The Total Net OPEB Liability was measured in accordance with GASB Statement No. 45.

** The Plan Fiduciary Net Position was measured in accordance with GASB Statement No. 74.

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OPEB FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 13,377,975
Contributions in relations to the actuarially determined contribution	<u>(11,983,985)</u>
Contribution deficiency (excess)	<u>\$ 1,393,990</u>
Covered-employee payroll	<u>\$ 82,073,276</u>
Contribution as a percentage of covered-employee payroll	<u>14.60%</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 OPEB INVESTMENT RETURNS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	12.79%

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 OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017**

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)
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%
July 1, 2016	4,671,050	144,234,342	139,563,292	3.2%	118,181,780	118%

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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
District's proportion of the net pension liability	<u>0.1578%</u>	<u>0.1637%</u>	<u>0.1838%</u>
District's proportionate share of the net pension liability	\$ 127,669,976	\$ 110,236,539	\$ 109,162,777
State's proportionate share of the net pension liability associated with the District	<u>72,680,240</u>	<u>58,302,977</u>	<u>65,917,198</u>
Total	<u>\$ 200,350,216</u>	<u>\$ 168,539,516</u>	<u>\$ 175,079,975</u>
District's covered-employee payroll	<u>\$ 77,235,937</u>	<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>165%</u>	<u>150%</u>	<u>128%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
SFERS			
District's proportion of the net pension liability	<u>1.4766%</u>	<u>1.5795%</u>	<u>1.7522%</u>
District's proportionate share of the net pension liability	<u>\$ 85,831,480</u>	<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>	<u>\$ 41,365,456</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>219%</u>	<u>90%</u>	<u>75%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>	<u>90%</u>	<u>92%</u>
CalPERS - Miscellaneous Plan			
District's proportion of the net pension liability	<u>0.0321%</u>	<u>0.0301%</u>	<u>0.0193%</u>
District's proportionate share of the net pension liability	<u>\$ 1,115,251</u>	<u>\$ 2,626,907</u>	<u>\$ 2,193,486</u>
District's covered-employee payroll	<u>\$ 1,850,556</u>	<u>\$ 1,973,862</u>	<u>\$ 1,981,879</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>60%</u>	<u>133%</u>	<u>111%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<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 PENSIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Contractually required contribution	\$ 11,156,268	\$ 8,287,416	\$ 6,520,795
Contributions in relation to the contractually required contribution	<u>11,156,268</u>	<u>8,287,416</u>	<u>6,520,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 88,682,576</u>	<u>\$ 77,235,937</u>	<u>\$ 73,432,379</u>
Contributions as a percentage of covered-employee payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
SFERS			
Contractually required contribution	\$ 8,192,668	\$ 7,819,687	\$ 9,603,924
Contributions in relation to the contractually required contribution	<u>8,192,668</u>	<u>7,819,687</u>	<u>9,603,924</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 43,296,854</u>	<u>\$ 39,223,199</u>	<u>\$ 40,264,153</u>
Contributions as a percentage of covered-employee payroll	<u>18.92%</u>	<u>19.94%</u>	<u>24%</u>
CalPERS - Miscellaneous Plan			
Contractually required contribution	\$ 49,922	\$ 424,160	\$ 232,343
Contributions in relation to the contractually required contribution	<u>49,922</u>	<u>424,160</u>	<u>232,343</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>N/A</u>	<u>\$ 1,850,556</u>	<u>\$ 1,973,862</u>
Contributions as a percentage of covered-employee payroll	<u>N/A</u>	<u>23%</u>	<u>12%</u>

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

See accompanying note to required supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION ENDED JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented. There were no changes in benefit terms or assumptions in the current year

Schedule of District Contributions for OPEB

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, 2016, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset Valuation method	Because the plan assets are primarily short term, smoothing formula was not used
Inflation	2.75 percent
Health care cost trend rates	4.00 percent
Salary increases	2.75 percent
Investment rate of return	5.50 percent
Retirement age	Expected retirement ages of general employees were adjusted to more closely reflect actual experience
Mortality	Certificated: 2009 CalSTRS Mortality tables Classified: '94 GAM Reserving Table

Schedule of OPEB Investment Returns

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

Schedule of 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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION ENDED JUNE 30, 2017

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

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

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

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pensions

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

SUPPLEMENTARY INFORMATION

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

DISTRICT ORGANIZATION

JUNE 30, 2017

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>
Thea Selby	President	2018
Brigitte Davila	Vice President	2018
Rafael Mandelmann	Member	2020
Tom Temprano	Member	2020
Shanell Williams	Member	2020
Alex Randolph	Member	2020
John Rizzo	Member	2018

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, 2017**

Program Name	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Student Financial Assistance Cluster				
Federal Pell Grant Program	84.063		\$ 15,769,117	\$ -
Federal Pell Grant Program Administrative Allowance	84.063		94,498	-
Federal Work-Study Program	84.033		568,084	-
Federal Direct Student Loans	84.268		1,763,840	-
Federal Supplemental Educational Opportunity Grants	84.007		667,810	-
Total Student Financial Assistance Cluster			<u>18,863,349</u>	<u>-</u>
TRIO Student Support Services	84.042A		399,273	-
Passed through California Department of Education (CDE)				
Vocational English as a Second Language	84.002A	14508	774,203	-
Adult Secondary Education	84.002A	13978	132,975	-
Civics Education	84.002A	14109	70,194	-
Passed through California Community Colleges Chancellor's Office				
Career and Technical Education Act - Title I, Part C	84.048A	16-C01-048	831,835	-
Career and Technical Education Transitions	84.048A	16-C01-048	43,748	-
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>21,115,577</u>	<u>-</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	[1]	81,929	-
Foster and Kinship Care Education	93.658	[1]	88,407	-
Passed through California Department of Education (CDE)				
Child Care Development Fund Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	13609	11,776	-
Child Care Development Block Grant - Centers Based	93.575	15136	25,638	-
Total Child Care Development Fund Cluster			<u>37,414</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>207,750</u>	<u>-</u>

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

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2017**

Program Name	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures	Amount Passed Through to Subrecipients
U.S. DEPARTMENT OF LABOR				
Passed through Forsyth Technical Community College Employment Training Administration Consortium for Bioscience Credentials	17.282	TC-23761-12- 60-A-37	\$ 94,917	\$ -
U.S. DEPARTMENT OF DEFENSE				
Passed through San Francisco State University The Language Flagship Linkages	12.550	S15-0004	156,068	-
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education (CDE) Child and Adult Care Food Program	10.558	13666	79,047	-
NATIONAL SCIENCE FOUNDATION				
Research and Development Cluster Bio-Link Next Generation National Advanced Technological Educational Center	47.076		1,240,560	359,054
Program in Plumbing Engineering Design (PIPED)	47.076		26,822	17,267
Building a Community of MESA/STEM Scholars Initiative	47.076		103,872	-
Passed through Madison Area Technical College Scaling Implementation of Stem Cell Technical Education	47.076	1501553	62,768	-
Passed through Collin County Community College District National Convergence Technology Center	47.076	DUE-1205077	6,726	-
Total Research and Development Cluster			<u>1,440,748</u>	<u>376,321</u>
U. S. DEPARTMENT OF VETERANS AFFAIRS				
Veterans Education	64.120		5,025	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 23,099,132</u>	<u>\$ 376,321</u>
Student Financial Aid Loan Programs				
Loans Outstanding				
San Francisco Community College District had the following loan balance outstanding as of June 30, 2017:				
Federal Perkins Loan	84.038		<u>\$ 1,883,867</u>	

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

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

Program	Program Entitlements		
	Current Year	Prior Year	Total Entitlement
AB 1290 Schedule Maintenance and Repair	\$ 3,529,801	\$ -	\$ 3,529,801
AB 86 Adult Ed Consortium	3,665,059	1,453,858	5,118,917
Basic Skills	508,676	323,801	832,477
Beverage Container Recycling Grant	70,503	63,897	134,400
Board of Financial Aid Program	786,005	-	786,005
CA Apprenticeship Incentive	1,000,000	-	1,000,000
Cal Grant	1,151,099	-	1,151,099
California Career Pathway Trust (CCPT)	-	5,999,342	5,999,342
California Institute for Regenerative Medicine	475,779	-	475,779
California Nursing Support	228,000	-	228,000
CalWORKS	451,691	-	451,691
Career Technical Enhancement	4,278,447	155,883	4,434,330
CCCCO FSS MESA	77,893	-	77,893
Center Based Child Development	133,756	-	133,756
Child Care Tax Bailout	81,230	-	81,230
Cooperative Agencies Resources for Education (CARE)	110,904	-	110,904
Disabled Students Programs and Services (DSPS)	2,131,162	-	2,131,162
Economic Workforce Development (EWD)	520,000	300,000	820,000
Equal Employment Opportunity	60,000	17,848	77,848
Extended Opportunity Programs and Services (EOPS)	1,602,317	-	1,602,317
Full Time Student Success Grant	366,538	66,067	432,605
Innovation for Higher Education	-	2,856,778	2,856,778
Prop 39 - Clean Energy Job Creation Act	178,697	1,026,184	1,204,881
San Francisco First Five - Preschool to all	111,936	-	111,936
SFDPH/MHSA MHCHW	362,530	-	362,530
Special Trustee	289,000	38,085	327,085
State Preschool	688,010	-	688,010
Student Equity	2,527,206	2,066,767	4,593,973
Student Success and Support Program (SSSP)	5,348,198	3,657,436	9,005,634
Transfer and Articulation	-	-	-
Total		<u>\$ 18,025,946</u>	<u>\$ 48,760,383</u>

See accompanying note to supplementary information.

Program Revenues

Cash Received	Accounts Receivable	Unearned Revenue	Total Revenue	Program Expenditures
\$ 3,529,801	\$ -	\$ -	\$ 3,529,801	\$ 2,992,070
5,118,917	-	1,325,700	3,793,217	3,793,217
832,477	-	157,276	675,201	675,201
-	131,618	-	131,618	131,618
786,005	-	-	786,005	786,005
400,000	-	348,181	51,819	51,819
1,149,011	2,088	-	1,151,099	1,151,099
5,126,907	-	3,186,973	1,939,934	1,939,934
362,797	112,982	-	475,779	475,779
197,569	30,431	-	228,000	228,000
451,691	-	-	451,691	451,691
2,884,892	17,848	2,139,270	763,470	763,470
31,498	46,395	-	77,893	77,893
74,135	59,621	-	133,756	133,756
75,074	6,156	-	81,230	81,230
110,904	-	-	110,904	110,904
2,131,162	-	-	2,131,162	2,131,162
213,631	236,718	-	450,349	450,349
81,736	-	33,049	48,687	48,687
1,602,317	-	-	1,602,317	1,602,317
432,605	-	105,045	327,560	327,560
2,856,778	-	1,968,735	888,043	888,043
178,697	622,161	-	800,858	800,858
7,685	104,251	-	111,936	111,936
-	362,530	-	362,530	362,530
327,085	-	251,561	75,524	75,524
53,461	634,549	-	688,010	688,010
4,593,344	-	1,165,045	3,428,299	3,428,299
9,005,634	-	4,081,043	4,924,591	4,924,591
2,959	-	2,084	875	875
<u>\$ 42,618,772</u>	<u>\$ 2,367,348</u>	<u>\$ 14,763,962</u>	<u>\$ 30,222,158</u>	<u>\$ 29,684,427</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL
 APPORTIONMENT ANNUAL (ACTUAL) ATTENDANCE
 AS OF JUNE 30, 2017**

CATEGORIES	<u>Reported Data*</u>	<u>Audit Adjustments</u>	<u>Audited Data</u>
A. Summer Intersession (Summer 2016 only)			
1. Noncredit**	453.10	-	453.10
2. Credit	1,281.16	-	1,281.16
B. Summer Intersession (Summer 2017 - Prior to July 1, 2017)			
1. Noncredit**	2.78	-	2.78
2. Credit	-	-	-
C. Primary Terms (Exclusive of Summer Intersession)			
1. Census Procedure Courses			
(a) Weekly Census Contact Hours	10,073.74	-	10,073.74
(b) Daily Census Contact Hours	341.45	-	341.45
2. Actual Hours of Attendance Procedure Courses			
(a) Noncredit**	5,956.66	-	5,956.66
(b) Credit	694.05	-	694.05
3. Independent Study/Work Experience			
(a) Weekly Census Contact Hours	1,718.58	-	1,718.58
(b) Daily Census Contact Hours	-	-	-
(c) Noncredit Independent Study/Distance Education Courses	-	-	-
D. Total FTES	<u>20,521.52</u>	<u>-</u>	<u>20,521.52</u>
SUPPLEMENTAL INFORMATION (Subset of Above Information)			
E. In-Service Training Courses (FTES)	-	-	-
H. Basic Skills Courses and Immigrant Education			
1. Noncredit**	4,659.49	-	4,659.49
2. Credit	406.11	-	406.11
<u>CCFS-320 Addendum</u>			
CDCP Noncredit FTES	4,713.15	-	4,713.15
Centers FTES			
1. Noncredit**	5,632.43	-	5,632.43
2. Credit	2,393.01	-	2,393.01

* Recertification report as of October 2, 2017.

** 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, 2017**

	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	\$ 40,903,820	\$ -	\$ 40,903,820	\$ 41,196,801	\$ -	\$ 41,196,801
Other	1300	23,928,273	-	23,928,273	24,266,903	-	24,266,903
Total Instructional Salaries		64,832,093	-	64,832,093	65,463,704	-	65,463,704
Noninstructional Salaries							
Contract or Regular	1200	-	-	-	12,515,862	-	12,515,862
Other	1400	-	-	-	3,983,820	-	3,983,820
Total Noninstructional Salaries		-	-	-	16,499,682	-	16,499,682
Total Academic Salaries		64,832,093	-	64,832,093	81,963,386	-	81,963,386
<u>Classified Salaries</u>							
Noninstructional Salaries							
Regular Status	2100	-	-	-	28,593,058	-	28,593,058
Other	2300	-	-	-	3,644,533	-	3,644,533
Total Noninstructional Salaries		-	-	-	32,237,591	-	32,237,591
Instructional Aides							
Regular Status	2200	1,540,615	-	1,540,615	2,200,189	-	2,200,189
Other	2400	467,064	-	467,064	496,746	-	496,746
Total Instructional Aides		2,007,679	-	2,007,679	2,696,935	-	2,696,935
Total Classified Salaries		2,007,679	-	2,007,679	34,934,526	-	34,934,526
Employee Benefits	3000	20,568,616	-	20,568,616	46,600,053	-	46,600,053
Supplies and Material	4000	-	-	-	1,384,550	-	1,384,550
Other Operating Expenses	5000	-	-	-	15,974,260	-	15,974,260
Equipment Replacement	6420	-	-	-	194,107	-	194,107
Total Expenditures Prior to Exclusions		87,408,388	-	87,408,388	181,050,882	-	181,050,882

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF *EDUCATION CODE* SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017**

	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	\$ -	\$ -	\$ -	\$ 7,939,682	\$ -	\$ 7,939,682
Student Health Services Above Amount Collected	6441	-	-	-	-	-	-
Student Transportation	6491	-	-	-	-	-	-
Noninstructional Staff - Retirees' Benefits and Retirement Incentives	6740	-	-	-	-	-	-
Objects to Exclude							
Rents and Leases	5060	-	-	-	1,312,855	-	1,312,855
Lottery Expenditures							-
Academic Salaries	1000	-	-	-	488,754	-	488,754
Classified Salaries	2000	-	-	-	2,092,845	-	2,092,845
Employee Benefits	3000	-	-	-	559,026	-	559,026
Supplies and Materials	4000	-	-	-	-	-	-
Software	4100	-	-	-	-	-	-
Books, Magazines, and Periodicals	4200	-	-	-	-	-	-
Instructional Supplies and Materials	4300	-	-	-	-	-	-
Noninstructional Supplies and Materials	4400	-	-	-	-	-	-
Total Supplies and Materials		-	-	-	-	-	-

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**RECONCILIATION OF EDUCATION CODE SECTION 84362 (50 PERCENT LAW) CALCULATION, Continued
FOR THE YEAR ENDED JUNE 30, 2017**

	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		-	-	-	12,393,162	-	12,393,162
Total for ECS 84362, 50 Percent Law		\$ 87,408,388	\$ -	\$ 87,408,388	\$ 168,657,720	\$ -	\$ 168,657,720
Percent of CEE (Instructional Salary Cost/Total CEE)		51.83%		51.83%	100.00%		100.00%
50% of Current Expense of Education					\$ 84,328,860		\$ 84,328,860

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, 2017**

Activity Classification	Object Code				Unrestricted
EPA Revenue:	8630				\$ 22,474,550
Activity Classification	Activity Code	Salaries and Benefits (Obj 1000-3000)	Operating Expenses (Obj 4000-5000)	Capital Outlay (Obj 6000)	Total
Instructional Activities	1000-5900	\$ 22,474,550	\$ -	\$ -	\$ 22,474,550
Total Expenditures for EPA		\$ 22,474,550	\$ -	\$ -	\$ 22,474,550
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, 2017

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>Other Trust Funds</u>
FUND BALANCE		
Balance, June 30, 2017, (CCFS-311)	\$ 47,898,495	\$ 2,473,803
Change in:		
Prepaid expenses	(980,257)	-
Accounts payable	(89,273)	89,273
Balance, June 30, 2017, Audited	<u>\$ 46,828,965</u>	<u>\$ 2,563,076</u>

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance:		
General Funds	\$ 51,493,835	
Debt Service Funds	5,893,144	
Special Revenue Funds	5,713,992	
Capital Project Funds	63,275,638	
Enterprise Funds	146,417	
Internal Service Funds	19,030,828	
Fiduciary Fund	1,968,822	
Total Fund Balance - All District Funds		\$ 147,522,676
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	705,901,622	
Accumulated depreciation is	(357,176,119)	348,725,503
The District has refunded debt obligations. The difference between the amount that was sent to escrow agent for the payment of the old debt and the actual remaining debt obligations will be amortized as an adjustment to interest expense over the remaining life of the refunded debt. The balance represents the unamortized deferred charges on refunding amounts as of June 30, 2017.		
		8,434,798
In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		
		(505,910)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	19,398,858	
Difference between projected and actual earnings on pension plan investments	19,122,282	
Differences between expected and actual experience in the measurement of the total net pension liability	3,255	
Changes in assumptions	12,029,993	
Total Deferred Outflows of Resources Related to Pensions		50,554,388
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(25,054,690)	
Difference between projected and actual earnings on pension plan investments	(9,727,385)	
Differences between expected and actual experience in the measurement of the total pension liability	(6,656,418)	
Changes in assumptions	(231,099)	
Total Deferred Inflows of Resources Related to Pensions		(41,669,592)
Long-term liabilities at year end consist of:		
Bonds payable	285,580,305	
Compensated absences	7,069,462	
Load banking	623,971	
Capital leases	149,356	
Net OPEB obligation	85,558,010	
Aggregate net pension obligations	214,616,707	
Supplemental early retirement plan	3,037,424	
Other long-term obligation	22,345,831	(618,981,066)
Total Net Position		\$ (105,919,203)

See accompanying note to supplementary information.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTE 1 - PURPOSE OF SCHEDULES

District Organization

This schedule provides information about the District's governing board members and administration members as of June 30, 2017.

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 reconciliation 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:

Description	CFDA Number	Amount
Federal Revenues per Statement of Revenues, Expenses, and Changes in Net Position		\$ 22,437,009
Federal Revenues per Statement of Changes in Fiduciary Net Position		
Veterans Education	64.120	(1,971)
Federal Pell Grant Administrative Allowance	84.063	70,473
Federal Direct Student Loans	84.268	528,166
Federal Work-Study Program	84.033	69,600
Employment Training Administration Consortium for Bioscience Credentials	17.282	(1,280)
Bio-Link Next Generation National Advanced Technological Educational Center	47.076	(7,352)
Various programs	N/A	4,487
Total Expenditures of Federal Awards		\$ 23,099,132

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

Schedule of Expenditures of State Awards

The accompanying Schedule of Expenditures of State Awards includes the State grant activity of the District and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The information in this schedule is presented to comply with reporting requirements of the California State Chancellor's Office.

Schedule of Workload Measures for State General Apportionment Annual (Actual) Attendance

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

Reconciliation of *Education Code* Section 84362 (50 Percent Law) Calculation

ECS 84362 requires the District to expend a minimum of 50 percent of the unrestricted General Fund monies on salaries of classroom instructors. This is reported annually to the State Chancellor's Office. This schedule provides a reconciliation of the amount reported to the State Chancellor's Office and the impact of any audit adjustments and/or corrections noted during the audit.

Proposition 30 Education Protection Act (EPA) Expenditure Report

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

Reconciliation of Annual Financial and Budget Report (CCFS-311) With Fund Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Form CCFS-311 to the District's internal fund financial statements.

Reconciliation of Governmental Funds to the Statement of Net Position

This schedule provides a reconciliation of the adjustments necessary to bring the District's internal fund financial statements, prepared on a modified accrual basis, to the entity-wide full accrual basis financial statements required under GASB Statements No. 34 and No. 35 business-type activities reporting model.

INDEPENDENT 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, 2017, 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 21, 2017.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 2 and Note 16 to the financial statements, in 2017, the District adopted new accounting guidance, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. 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.

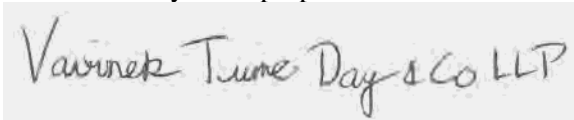
Compliance and Other Matters

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 21, 2017.

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.

A rectangular box containing a handwritten signature in dark ink. The signature reads "Vavinek Truitt Day & Co LLP" in a cursive, professional script.

Rancho Cucamonga, California
December 21, 2017



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

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**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, 2017. 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, 2017.

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.



Rancho Cucamonga, California
December 21, 2017



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

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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 March 2017 that could have a direct and material effect on each of the District's programs as noted below for the year ended June 30, 2017.

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 March 2017.

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 March 2017. 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 Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding Section 429 - Student Success and Support Program (SSSP), Finding 2017-001. 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, 2017.

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, 2017, except as described in the State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

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

Section 421	Salaries of Classroom Instructors (50 Percent Law)
Section 423	Apportionment for Instructional Service Agreements/Contracts
Section 424	State General Apportionment Funding System
Section 425	Residency Determination for Credit Courses
Section 426	Students Actively Enrolled
Section 427	Dual Enrollment of K-12 Students in Community College Credit Courses
Section 428	Student Equity
Section 429	Student Success and Support Program (SSSP)
Section 430	Schedule Maintenance Program
Section 431	Gann Limit Calculation
Section 435	Open Enrollment
Section 439	Proposition 39 Clean Energy
Section 440	Intersession Extension Programs
Section 475	Disabled Student Programs and Services (DSPP)
Section 479	To Be Arranged Hours (TBA)
Section 490	Proposition 1D and 51 State Bond Funded Projects
Section 491	Proposition 55 Education Protection Account Funds

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

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

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



Rancho Cucamonga, California
December 21, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 Guidance?	<u>No</u>
Identification of major Federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.007, 84.063, 84.033, 84.268</u>	<u>Student Financial Assistance Cluster</u>
<u>47.076</u>	<u>Research and Development Cluster</u>
<u>84.002A</u>	<u>Vocational English as a Second Language</u>
<u>84.002A</u>	<u>Adult Secondary Education</u>
<u>84.002A</u>	<u>Civics Education</u>

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

<u>Name of State Program</u>
<u>429 - Student Success and Support Program (SSSP)</u>

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2017

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

2017-001 429 - Student Success and Support Program

Criteria or Specific Requirement

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

Condition

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

Questioned Costs

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

Context

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

Effect

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

Cause

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

Recommendation

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

Management's Response and Corrective Action Plan

The District will work with appropriate staff to develop comprehensive desk manuals. The District will also conduct regular training for staff responsible for either providing or reporting student assessment, counseling services, student orientations, and educational plan services.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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.

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.

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Current Status

Not implemented. See current year finding 2017-001.